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ABSTRACT

This is a congressional hearing to examine S. 2687, the Youth Employment Opportunity Wage Act. (This bill would permit employers to pay youth a wage of 75 percent of the statutory minimum wage during the summer. The bill has a sunset provision.) Testimony includes statements from U.S. Senators and Representatives and from individuals representing the American GI Forum of the U.S.; American Farm Bureau Federation; Rockefeller Foundation; Board of National Conference of Black Mayors; Chamber of Commerce of the U.S.; Retail Bakers of America; Printing Industries of America, Inc.; Opportunities Industrialization Centers; AFL-CIO; Department of Labor; National Club Association; National Grocers Association; National Association of Manufacturers; National Federation of Independent Business; Minimum Wage Study Commission; and National Association of Minority Contractors. Additional materials are an excerpt from the Minimum Wage Study Commission, a report on findings of the youth entitlement demonstration, and questions and answers. (YLB)

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YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984

ED250473

HEARING

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 2687

TO AUTHORIZE AN EMPLOYER TO PAY A YOUTH EMPLOYMENT OPPORTUNITY WAGE TO A PERSON UNDER TWENTY YEARS OF AGE FROM MAY THROUGH SEPTEMBER UNDER THE FAIR LABOR STANDARDS ACT OF 1938 WHICH SHALL TERMINATE ON SEPTEMBER 30, 1987 AND FOR OTHER PURPOSES

JUNE 18, 1984

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CONTENTS

STATEMENTS

MONDAY, JUNE 18, 1984

Page
Alarid, Jake, national chairman, the American GI Forum of the United States, prepared statement 170
American Farm Bureau Federation, prepared statement 158
Anderson, Bernard, Ph.D., director, social sciences, the Rockefeller Foundation, prepared statement 183
Board of National Conference of Black Mayors, April 20, 1984, prepared statement 75
Bourland, Albert D., vice president for congressional and political affairs, Chamber of Commerce of the United States, prepared statement 180
Busken, D. Page, Busken's Bakery, Cincinnati, OH, accompanied by Gerard Panaro, general counsel, Retail Bakers of America 109
  Prepared statement 111
Cooper, Benjamin Y., senior vice president for government affairs, Printing Industries of America, Inc., prepared statement 169
Dawkins, Dr. Maurice A., national director of government relations, Opportunities Industrialization Centers 77
  Prepared statement 82
Denison, Ray, director, department of legislation, AFL–CIO, accompanied by John Zoluski, economist, research department, AFL–CIO 95
Denton, Hon. Jeremiah, a U.S. Senator from the State of Alabama 8
Dixon, Hon. Julian, a U.S. Representative from the State of California 45
Donovan, Hon. Raymond J., Secretary, Department of Labor, accompanied by Daniel K. Benjamin, Chief of Staff 8
Hashimoto, Masanori, associate professor of economics, University of Washington, and national fellow, Hoover Institution 137
Hawkins, Hon. Paula, a U.S. Senator from the State of Florida 4
Hudnut, Hon. William H., III, mayor of Indianapolis, IN 56
  Prepared statement (with attachment) 57
Hurley, Gerard F., executive director, National Club Association, prepared statement 186
Kennedy, Hon. Edward M., a U.S. Senator from the State of Massachusetts 13
  Prepared statement 13
Kondor, James, president, Kondor's Thriftway, Winter Haven, FL, accompanied by Thomas F. Wenning, executive vice president, National Grocers Association 119
  Prepared statement 121
Lopez, Angel, vice chairman, Ser-Jobs for Progress, board of directors, and representing American GI Forum 92
Lunnie, Francis M., Jr., assistant vice president for industrial relations and director for labor relations, National Association of Manufacturers, prepared statement 177
Motley, John J., III, director of Federal legislation, National Federation of Independent Business, prepared statement 148
O'Hara, James G., chairman, Minimum Wage Study Commission 100
Percy, Hon. Charles H., a U.S. Senator from the State of Illinois, prepared statement 5
Service Employees International Union, AFL–CIO, prepared statement 161
Thomas, Dewey, representing the National Association of Minority Contractors 103

Page

Thomas, Dewey, representing the National Association of Minority Contractors—Continued
  Prepared statement 105
Tucker, Hon. Walter, mayor of Compton, and member, National Board of the National Conference of Black Mayors, accompanied by Michelle Kourouma, executive director, National Conference of Black Mayors, and Sam Tucker, assistant director, National Conference of Black Mayors 64
  Prepared statement 66
Welch, Finis, Ph.D., professor of economics, University of California, Los Angeles 139

ADDITIONAL MATERIAL

Articles, publications, etc.:

  Employment of students below regular minimum wage 131
  Excerpt from Minimum Wage Study Commission 49
  Major youth experiment yields significant postprogram results 25
  Resolution adopted by board of National Conference of Black Mayors, St. Louis, MO, April 18, 1984 74
  Some organizations opposing youth subminimum wage 44
Questions and answers: Responses of Secretary Donovan to questions asked by Senator Kennedy 16

YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984

MONDAY, JUNE 18, 1984

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 2 p.m., in room 430, Dirksen Senate Office Building, Senator Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Hatch, Quayle, Denton, Grassley, Thurmond, and Kennedy.

OPENING STATEMENT OF SENATOR HATCH

The CHAIRMAN. I would like to welcome everyone to our hearing this afternoon to examine S. 2687, the Youth Employment Opportunity Wage Act.

I am pleased to join with Senator Charles Percy, Senator Thurmond, and so many other distinguished colleagues in sponsoring this important legislation.

Could we have order?

For too long, our national community has borne the tragedy of youth unemployment. It remains today, as it has been for decades, a chronic disease within our society, particularly among minority youth. Rates of unemployment among young people have been remarkably constant in spite of the economic downturn and recovery. The problem I describe is systemic, not cyclical. Likewise, any solution to this problem has to be systematic and comprehensive.

I commend President Reagan and Secretary Donovan, who is with us today, for encouraging and promoting this congressional initiative. On behalf of Senator Percy and other cosponsors, I am grateful to the numerous supportive organizations, many of whose members took the time to make constructive and useful suggestions to further improve our bill. Their collective energies are clearly manifest in this important reform legislation, the highlights of which can be summarized as follows:

First, S. 2687 would allow an employer to pay a youth wage of 75 percent of the statutory minimum wage only during the summer months from May 1 through September 30.

Second, the bill has a sunset provision. Authorization to pay the special youth opportunity wage expires on September 30, 1987. A full evaluation can then be made to determine the effects of this approach to alleviating youth unemployment. This concept has never been tried without the restriction of being a full-time student. It is time we gave this proposal a chance to prove itself. If it fails to provide more youth with jobs or yields unacceptable, adverse effects on others in the labor force, then we can base any future rejection of this concept on knowledge, not on speculation or fear.

Third, youth eligible for the special wage are ages 16 to 19.

Fourth, the bill contains stiff penalties for any employer who abuses the intent of the legislation by displacing adult workers or youth already employed. These sanctions are the explicit commitment of the Congress and the administration to assure compliance with the Fair Labor Standards Act and the spirit of the Youth Employment Opportunity Wage Act.

The Youth Employment Opportunity Wage Act will probably not be the final word in our campaign to cure this national affliction. Furthermore, reliance on Federal employment and training programs is not in itself a complete solution. While I remain a strong supporter of the Job Training Partnership Act and have faith that this program has great potential to help both youth and adults who are suffering structural unemployment, the record is clear. After years of Federal effort and billions of dollars, the problem of youth unemployment remain chronic and acute.

This is why I applaud the recent action by the National Conference of Black Mayors, SER, the Opportunities Industrialization Centers, and the American GI Forum in endorsing this legislation. These organizations and many others are not willing to overlook this limited, experimental change in the minimum wage as a potential weapon in their fight to assist youth in this country.

Most of us in this room are personally familiar with the waste of talent and initiative inherent in high youth unemployment rates. Each of us has our own personal story to tell. The measure we consider today is a reasoned, experimental modification of a law which has been proven to have a negative effect on inexperienced young workers. While many young people are employed at the minimum wage, far too many others have been shut out from the work force completely.

The indications that the Youth Employment Opportunity Wage Act will create new summer jobs for youth are so encouraging that we cannot ignore action on this proposal any longer. Let us pull together to enact this legislation. Let us give our young people a chance to both learn and earn, a chance to start up the economic ladder, and a chance to develop the kind of personal confidence and self-esteem that will last them a lifetime. I think it's time we do that.

We are very pleased this morning to have with us such broad representation. We will turn to Senator Thurmond for any comments he has to make at this point before we turn to the Secretary of Labor.

[Statement of Senator Thurmond follows:]

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman, it is a pleasure to be here this afternoon to receive testimony on S. 2687, the proposed Youth Employment Opportunity Wage Act of 1984. I want to welcome the distinguished Secretary of Labor, Secretary Donovan; Congressman Dixon, and the many other distinguished witnesses who will testify today.

Mr. Chairman, the high rate of unemployment among our Nation's youth, and particularly among our black youth, is a problem that has existed and worsened over a period of many years. To date, the Federal Government's many efforts to address this problem, while well intended, have had minimal effects. For years, Congress has rejected proposals to allow a reduced minimum wage to be paid to young people.

As a supporter and cosponsor of past proposals and of S. 2687, I believe that enactment of this legislation is long overdue.

Mr. Chairman, no one can project with total certainty the additional number of jobs that will be provided to teenagers should S. 2687 be enacted. However, the potential appears to be so significant that S. 2687 has received the support of many organizations and individuals with differing perspectives and political philosophies.

Many of the arguments which in the past have been used in opposition to the youth subminimum wage have been addressed in the pending legislation. For example, some have expressed concern that enactment of this legislation will result in employers replacing adults with subminimum-wage youth. However, S. 2687 includes appropriate penalties for those who conduct such practices.

It is also important to note that under S. 2687 the program would be summer only and be authorized for only 3 years.

Additionally, the legislation would require that the results of the program be thoroughly evaluated and reported to Congress.

Mr. Chairman, the youth of our Nation are in great need of increased employment opportunities. I believe we can provide these opportunities through passage of S. 2687.

I look forward to the testimony we will receive today on this important legislation. I commend President Reagan for recommending this legislation to the Congress. I also commend Secretary Donovan for working to get this legislation passed. I am sure he will exert every effort, as he has done good work as Secretary of Labor.

I am very pleased to be here, and, Mr. Chairman, if I don't get to stay for the entire session, I will take pleasure in reading the testimony of the rest of the witnesses.

Thank you.

The CHAIRMAN. Thank you, Senator Thurmond.

We are very pleased to have such broad representation here today to discuss this legislation with the committee. However, because the agenda this afternoon is extensive, I would respectfully ask all witnesses to summarize their prepared statements in 5 minutes, and without objection, we will place all complete statements in the record as though fully delivered, so that I don't have to do that each time.

We will use the lights to remind us about the time constraints. And additionally, I would like to ask the Senators to hold their questioning to no more than 10 minutes. I am afraid if we don't do this, we will not give everyone an equal chance to state their views and respond to questions.

And finally, I am going to have many more questions than I will ask here publicly under this 10-minute rule, as I am sure other members of the committee will want to ask as well. So I want the witnesses, all witnesses, to be prepared to respond to written questions if we can't get to all of them during this hearing. I appreciate your cooperation and your willingness to participate in this manner in this hearing.

Without objection, let me insert the statements of Senator Charles H. Percy, the prime sponsor of this bill, and of Senator Paula Hawkins in the record at this point.

STATEMENT OF SENATOR PAULA HAWKINS

Senator HAWKINS. I am pleased to welcome Jim Kondor of Florida who is representing the National Grocer's Association on this panel today. I know from my conversations with other grocers and retailers in Florida that they are willing and anxious to give young people their first jobs, they want to help them gain experience and good working habits, but that the current minimum wage requirement of $3.35 an hour is too much of a disincentive. They just don't feel that they can justify that kind of expenditure for a worker who has little or no experience and must be trained.

Lots of the little services that we used to expect from our retail establishments, like ushers in movie theaters and people to bag our groceries, have disappeared from many stores because the employers feel that the Government, through its minimum wage requirements, has regulated these positions out of existence.

I welcome Mr. Kondor and the others on this panel today and I look forward to your testimony.

STATEMENT OF SENATOR CHARLES H. PERCY
THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984
BEFORE THE COMMITTEE ON LABOR AND HUMAN RESOURCES
JUNE 18, 1984

I would like to thank the distinguished Chairman of this Committee, Senator Hatch, for giving me this opportunity to submit a statement on The Youth Employment Opportunity Wage Act of 1984. I would also like to thank Senator Hatch for his tremendous leadership on this issue.

I am sponsoring this legislation for one simple reason: to create jobs for teenagers. The statistics on youth unemployment speak for themselves. Nearly one of every three teenagers will be unable to find employment this summer. The unemployment rate among black teenagers in an astounding 40 percent, and approaches 75 percent in some areas. In my own state of Illinois, in Chicago, the unemployment rate for black teens is 50 percent.

The youth opportunity wage would allow employers to pay teenagers a lower minimum wage during the summer months. Specifically, those aged 16 to 19 could be paid $2.50 per hour -- 75 percent of the current minimum wage, from May 1 to September 30.

At this hearing today, some of the witnesses will argue that we should not try a youth opportunity wage. I would like to take their arguments head-on. The opponents of the bill claim:

> "The youth opportunity wage is no substitute for government funded jobs programs"

I could not agree more. The youth wage is not intended to substitute other programs, but rather, it will add one more tool for creating jobs. While these government aid programs are important, they simply have not solved the teenage unemployment problem. For example, over an eight-year period, the government spent over $53 billion to provide jobs under the CETA program. We have enacted, with my support, the Job Training Partnership Act, the targeted tax credit program, and the emergency jobs bill. Recently, I cosponsored a measure restoring $100 million to the Federal Summer Jobs Program (which will restore 13,000 jobs for teens in Chicago). Even with these programs, and a drop in the overall unemployment rate, youth unemployment has continued to increase.

"The youth opportunity wage will not create new jobs, but will take jobs away from adult workers"

There are several reasons why this argument does not hold water.

- The bill applies only to the summer period Workers who were employed at the establishment within 90 days prior to May 1 could not be paid below the minimum wage. Few adults are summer-only employees, and only two-percent of all adults are paid the minimum wage.
- The bill sets stiff penalties for employers who discharge adult workers to hire eligible youth, including fines and prison terms. It is unlikely that an employer would take such a risk to save a few dollars over the summer.
- The legislation calls for the program to be on a test basis, expiring in 1986.
- Those who argue that the bill will not create new jobs are making an unsound assumption that there are a finite number of jobs available. This is simply not true. Surveys of some industries, such as the printing industry, have found that the youth wage would enable many small businesses to hire an additional worker.
- There have been numerous studies estimating the number of

jobs this bill would create. In my opinion, this bill is needed whether we create 4000, 50,000, or 400,000 jobs -- the precise number of jobs is not important so long as we do create jobs (at no cost to the Federal Government).

> "The youth opportunity wage is more aptly titled, 'The Hamburger bill' because it will only create jobs in fast-food establishments'

Surveys have indicated that two-thirds of the jobs created by a youth wage would be in businesses other than eating and drinking establishments, such as recreational areas, grocery stores, and other small businesses. Besides, any solid work experience during the summer is better than no work at all.

I have sponsored youth employment opportunity legislation since 1980. I am extremely gratified now, however, to have the support of many groups which understand intimately the problems of teenage unemployment such as the Blcak Mayors, Opportunities Industrialization Cneters (OIC), the American GI Forum, and others. They have endorsed this legislation becasue they know that for hundreds of thousands of teenagers, a job at $2.50 is better than no job at $3.35.

The youth unemployment problem has defied every attempt we have made so far to solve it. It is time to stop arguing over whether the opportunity wage would or would not work -- why not see if it does work. While we argue, young people are suffering. With black unemployment running as high as [illegible] percent in some areas, there is little to lose in trying this approach.

The **CHAIRMAN**. At this point we will also insert Senator Denton's statement.

STATEMENT OF SENATOR DENTON

Senator **DENTON**. Mr. Chairman, it is with pleasure that I attend and assist in chairing today's hearing on the Youth Employment Opportunity Act of 1984, S. 2687. I have been a supporter of this concept for many years and campaigned on the issue when I was a candidate for the Senate. I have joined Senator Percy and Chairman Hatch as an original cosponsor of the bill. I commend the chairman for quickly scheduling this hearing so that committee members will have ample time to review the proceedings before the bill is considered.

The Youth Employment Opportunity Wage Act is an important piece of legislation for many reasons. We will be hearing from a long and distinguished list of witnesses this afternoon who will go into detail about the effects the bill will have on teenage employment. From my perspective as chairman of the Subcommittee on Family and Human Services, however, I am most concerned about the effects of teenage unemployment on the family.

Unemployment is known to be one cause of low self-esteem and underachievement among our Nation's teenagers. In turn, low self-esteem and underachievement contribute to the related problems of teen alcohol and drug abuse, crime, suicide, and pregnancy. All of these problems are contributing to the alarming rise in family instability. I firmly believe that if we provide teenagers the opportunity to work, we will indirectly alleviate many of the related problems I mentioned. We will be promoting responsibility and family stability.

Today's teenagers need little more than opportunity in order to succeed. The Senate has the ability to help them with the passage of this bill. The bill has been endorsed by a broad and diverse group of national orginizations and individuals interested in a new and innovative way of solving the problem of teenage unemployment. I urge my colleagues on the committee and in the full Senate to lend their full support to the passage of the Youth Employment Opportunity Wage Act during this session of Congress.

The **CHAIRMAN**. We are very pleased to welcome you, Mr. Secretary, to our committee once again. We appreciate the leadership that you are showing at the Department of Labor in so many ways, but particularly on this issue. We look forward to taking your testimony at this time.

STATEMENT OF HON. RAYMOND J. DONOVAN, SECRETARY, DEPARTMENT OF LABOR, ACCOMPANIED BY DANIEL K. BENJAMIN, CHIEF OF STAFF

Secretary **DONOVAN**. Thank you, Mr. Chairman, and good afternoon to you and to members of the committee.

Accompanying me today, sitting on my left, is Mr. Daniel K. Benjamin, who is my Chief of Staff at the Department, and we are pleased to appear before you today to discuss the longstanding and serious problem of youth unemployment and to participate in legislative efforts to fashion long-term meaningful solutions.

I think we can all agree that youth unemployment is not a temporary or a recent problem resulting simply from cyclical fluctuations in our economy. Unemployment rates for 16- to 19-year-olds have increased steadily over the past 30 years from 12.6 percent in 1954 to 17.8 percent in 1980 and to 19 percent in May of this year.

During this same period, unemployment rates among black teens have soared from 17 percent to 38 percent in 1980 and to about 44 percent in May.

These dismal statistics for black teens are compounded by a significant deterioration in their ratio of employment to population, a decrease from 38 percent in 1954 to 24 percent in 1980 and to about 20 percent in May of this year.

The problem also exists with Hispanic youth. During the last 10 years, their employment as a percentage of population has declined by 5 percentage points to 32.5 percent in 1983.

Clearly, these statistics are unacceptable. They signify opportunities lost to our youth, opportunities for obtaining early and valuable employment experience as well as income and the intangible benefits associated with work, such as enhanced pride, self-esteem, and self-discipline.

These statistics also prove, however, that we as a nation can do better. And of course, we must. We can do far better if we are willing to critically examine long-held biases, if we are able to fashion initiatives which generate broad-based support, and if we are prepared to construct and try solutions which will increase the long-term skills and quality of our work force.

This administration shares with the Congress, Mr. Chairman, and the people, an enduring and deeply held commitment to successfully solving the youth unemployment problem, which often leads to adult structural unemployment.

This committee has examined the same statistics which I have presented, and the members are rightfully appalled and concerned for the future of many of this Nation's youth. So is the President, and so am I.

We realize that young people are the Nation's next generation of workers, and we know, too, that they need a wide variety of training and work experience. And we recognize that no single initiative is appropriate for all youth. This is why we are committed to maintaining a complementary package of effective youth employment and training programs.

Accordingly, this administration supported targeting the basic-training funds available under title II of the Job Training and Partnership Act to economically disadvantaged persons under the age of 22. This is why we continue to provide jobs for disadvantaged youth under the Summer Youth Employment Program and residential training under the Job Corps. It is why the President proposes to extend the authority for the targeted-jobs tax credit. In total, about $2 billion of JTPA's resources are targeted for youth.

Despite these and similar prior efforts, a new approach is needed. We have examined various proposed explanations and solutions, and we believe lowering the minimum wage barrier is crucial to increasing the number of meaningful work opportunities available for youth.

Consequently, this administration is proposing an initiative that permits firms to create summer jobs at wages which make it worth hiring youth who lack experience. This nonbureaucratic and cost-effective proposal for helping to achieve our shared objective of youth employment is the Youth Employment Opportunity Wage Act of 1984.

Young people need employment and work experience to secure adult employment. Youth programs exist, in part, because many teenagers lack the basic skills that are required to even earn the current minimum wage. There are some aspects of work that are learned best on the job and cannot be taught in a classroom or in a job training program. The private sector can and will provide valuable employment experience for more young people, especially those with fewer skills, if the artificial barrier of the minimum wage is lowered.

This is why the President seeks to restore private sector initiatives, and this is why he seeks enactment of the enterprise zone legislation and why the passage of the President's proposed Youth Employment Opportunity Wage Act is such an important legislative priority.

Our proposal offers the potential for providing summertime employment experiences and training for youth on a large scale. Under our proposal, jobs would be created in the private sector. This would ensure the integrity of the work experience; that is, these would be real jobs, jobs with genuine work experience, work experience that will help youth later when they seek adult employment.

The President's proposal applies to youth aged 19 and under, from May 1 through September 30. It would allow employers to hire such youth at $2.50 per hour, or about 75 percent of the current $3.35 per hour minimum wage. No special paperwork requirements would be imposed on employers beyond normal payroll recordkeeping, and no new Government bureaucracy would be needed to administer and market the program.

Some people argue that a youth employment opportunity wage would be used by employers to replace adults with youth. We believe these claims are unwarranted. Limiting the proposal to the summer months makes it unlikely that employers would discharge current workers and then rehire them later. Moreover, because the intent of the bill is to create new jobs, employers are prohibited from discharging, demoting, or transferring current employees and replacing them with youth hired at the opportunity wage.

We have also included a provision prohibiting reductions in pay below the basic $3.35 minimum wage for any youth age 19 or under who is employed at any time during the 90 days prior to May 1 each year.

The stringent Fair Labor Standards Act penalties of fines up to $10,000 and prison terms up to 6 months would also be applied to those who violate the law.

If the youth employment opportunity wage is enacted as proposed, we estimate that about 400,000 new summertime jobs would be created for teenagers. And if those States with minimum wage laws inconsistent with this bill were to undertake similar revisions to their codes, as many as 640,000 jobs could be provided.

We firmly believe these jobs that would be created do not exist, and would not exist, otherwise. We appreciate that the youth employment opportunity wage is an innovative and untried concept with possible important social consequences. But at the same time, it must be conceded that there is some uncertainty associated with the size of our employment estimates. The effect could be much greater than the 400,000 new jobs we estimate. It is simply not possible to be more precise at this time.

Recognizing this, we have proposed that the authorization for the proposal expire in 1987 and that an evaluation report be prepared and submitted to the Congress.

I think the country is prepared to try this concept. I am confident of that because of the broad-based support the measure has received from interested and affected groups throughout this Nation.

I particularly value the endorsement of groups including the National Conference of Black Mayors, the American GI Forum, Opportunities Industrialization Centers of America, Inc., and the SER-Jobs for Progress, because these are the groups who are most acutely aware of the tragedy of high youth unemployment, especially among young blacks and Hispanics. These groups, who deal day to day with structural unemployment, support the youth employment opportunity wage as a potentially valuable experimental tool to help solve the problem now.

We welcome their foresighted decision to support this legislation, and it demonstrates that with forthright leadership we can come together in the interest of achieving larger shared objectives.

I am hopeful that the Congress, too, will demonstrate once again a similar capacity for such leadership by enacting the Youth Employment Opportunity Wage Act of 1984.

Thank you, Mr. Chairman, for your kind attention. We will be happy to try to answer any questions you may have.

The **CHAIRMAN**. Thank you, Mr. Secretary.

The Labor Department has estimated that a youth wage, as you have stated, will create approximately 400,000 new jobs for youth. Could you describe how this number was calculated?

Secretary **DONOVAN**. Yes. Broadly speaking, Senator, it's based on the negative effect that the minimum wage has on employment of our youth, particularly the minority youth of this Nation.

I would turn to Dan Benjamin, who was deeply involved in developing these numbers, for a more specific description of the equation and conclusions we reached.

Mr. **BENJAMIN**. Senator, the impact of the minimum wage on employment is one of the most intensively studied phenomena that I know of as an economist. What we did was go to the best of the studies that have been done over the decades—and there have probably been 30 or 40, plus 6 volumes produced by the Minimum Wage Study Commission—go to the very best of those, which attempt to estimate the impact of the minimum wage on employment, and take a very conservative estimate of what that impact would be.

We then adjusted that number to take into account the fact that about 35 percent of all youth are in States where State laws will prevent their enjoying the benefits of this law.

And then finally, we adjusted that figure to take into account that the youth opportunity wage will only apply to youth 19 and under.

The CHAIRMAN. Mr. Secretary, one of the primary concerns about the institution of a two-tier minimum wage is whether there can be proper enforcement against any abuses. Now, what steps have been taken or will be taken to develop an appropriate and effective enforcement system or mechanism?

Secretary DONOVAN. It's one of our major concerns, too, Mr. Chairman. Under FLSA we have some very strict provisions as you know. The responsibility for this enforcement will fall under the FLSA and the 1,100 enforcement people in the field.

After long discussions with them, we feel that adding this responsibility, although large, is one that we can handle and handle well. It's a rather simple program. I think the FLSA audits that are being made—and, if my memory serves me, some 68,000 have been made last year do indicate that problems exist out there. But with the enforcement tools that we have, we believe we are more than up to the enforcement features of this law.

The CHAIRMAN. I can appreciate the rationale for the youth employment opportunity wage to be an experimental program. There is absolutely no way to be sure of the effects on either youth or adult employment, since such a program has never even been given a chance. It hasn't even been tried.

Theoretical studies would lead us to believe that youth employment will increase with little, if any, adverse impact on adults if this approach is taken.

Now, Mr. Secretary, how does the Department plan to collect the necessary data and conduct the evaluation of the youth wage experiment?

Secretary DONOVAN. Historically, Mr. Chairman, as you and the committee know, the primary objection to any approach that has been made in the past in Congress has been the displacement argument. And I recognize that as a fear, and a realistic fear. But this is the first time that a proposal is being considered by the Congress structured only for the summertime. The structure of the program itself, I think, goes a long way in reducing the potential displacement problem.

We have statistics that we can share with you and the committee to show that employment growth in the summertime is basically among youth, so that there is not that kind of competition in the summertime between adults and youth.

You asked how we would gather this data and trace it for the experimental time that we propose in this legislation. We believe that we can formulate a system among agencies in the Department—ETA, ESA, and BLS—that would satisfy us and the Congress.

An example might be, as far as the Bureau of Labor Statistics is concerned, to add a question to the household survey, collect the data in the spring, summer, and the fall, so that we would be able to know youth employment in the springtime, in the summer, and in the fall, and thereby focus in on the effects of the program.

The CHAIRMAN. I have read Mayor Hudnut's testimony. It's quite interesting to me. He makes a suggestion I would just like to mention and ask you about. Realizing that this could involve the Treasury Department and the Office of Management and Budget as well—and you may not be able to fully respond to all of the aspects of this—what do you think of the idea of exempting youth receiving less than the minimum wage from the income tax withholding provisions of the Tax Code? And what, offhand, would you see as the pluses or minuses of this idea from an administration point of view?

Secretary **Donovan**. In our frank attempt to garner support for what we considered to be not the answer, but an answer, to the tragedy of youth unemployment, I had many discussions at OMB on this subject. As a matter of fact, some substantial organizations out there, whose names I won't mention because they were private conversations, said to me that they would gladly back this proposal if it was not subjected to income tax.

I personally feel it is so important that I would personally entertain it and press for it. But at this stage of the game it is not part of our proposal. I think it's an interesting one, though.

The **Chairman**. One of the last questions that I will ask, because my time is about to expire, why do you think more businesses have not taken advantage of the 85 percent youth wage for full-time students? And in your opinion, has this particular approach been a success at all?

Secretary **Donovan**. Any program that puts kids to work, like that one, should be successful, but its success is limited. There are about 220,000 or 230,000 youth, I believe, under that program. I think there are 26,000 businesses that have been approved to take part in this program. They are in-school youth, for the most part, Mr. Chairman. It's an effective program, but the mere fact that a million kids are going to be looking for employment this summer and won't be able to find it says that we have not done enough. That is why I suggest the youth opportunity wage as another tool, along with the Targeted-Jobs Tax Credit Program, and our summer youth program that again will be in effect this summer.

It's that added tool that I think has been missing, and I hope you agree.

The **Chairman**. Well, thank you. My time is up.

I will turn to Senator Kennedy at this point.

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator **Kennedy**. Thank you very much, Mr. Chairman.

And I want to welcome the Secretary back to the committee on an issue which is, I think, of enormous importance to the young people of this country and, hopefully, to all Americans.

I must say, Mr. Secretary, I remember when you were up here in 1981 talking about the subminimum wage and the questions that you raised at that particular time, questions in your own mind as to whether this really would put people to work, whether new jobs would be created for young people, what the problems were going to be in terms of enforcement.

And I find it somewhat interesting that now in 1984, at a time when there is national focus and attention on the problems of youth unemployment, greater than there has been in recent times, you are coming up here in support of a pretty shopworn idea.

And I find it troublesome that even some of the questions that you raised at that time really haven't been addressed in the course of your testimony.

In 1977, an effective bipartisan coalition in the Senate and the House of Representatives worked out a youth employment program. And that has been evaluated, and it has been found to be very effective.

Your own Department did a review of that program and has filed its report, and what it does show is that it puts young people to work, it kept young people in school, dropout rates for young people in many areas of the country decreased in a significant way.

Why does the administration come up here with an experimental program, untried and untested, and reject programs which have a demonstrated track record of success and which the Department of Labor itself in its evaluation have found to be an overwhelming success? Why not go with the things that have worked, even by your own Department's word, rather than going with this entirely new idea, which I daresay not only is untested, but we may get into, depending on the time, what the particular problems are with it? Why not take something that is tried, tested, that works, and put our commitment behind that, that has been worked out in a bipartisan way?

Secretary DONOVAN. First, Senator, let me say that our idea under the Youth Employment Opportunity Wage Act of 1984 is far from shopworn. In fact, it's new in the gate. It has never been before the Congress, and I think its uniqueness is that it is for the summertime only. The House of Representatives——

Senator KENNEDY. Others find that a weakness.

Secretary DONOVAN. The House of Representatives in 1977 or 1978 only missed by a vote or two in passing a year-round youth opportunity wage. The uniqueness of it makes it not shopworn.

You talk of this bipartisan commission. I would have to challenge the use of the term bipartisan, Senator Kennedy. It was a commission. I don't deny that.

Senator KENNEDY. No, I am talking about the legislation, bipartisan effort, in 1977 in the Congress and in the Senate to pass that legislation, which has been evaluated subsequently even by the Department of Labor and found to have been effective in putting young people to work, in keeping them in school, and reducing the amount of dropout rate.

Secretary DONOVAN. I thought you were talking about the Minimum Wage Study Commission.

Senator KENNEDY. I wasn't. I was talking about the youth program of 1977 under the previous administration.

Secretary DONOVAN. You're talking about the CETA program?

Senator KENNEDY. No. No, I am talking about the youth employment program that was worked out in the bipartisan way in 1977 and which——

Secretary DONOVAN. Oh.

Senator KENNEDY [continuing]. Was evaluated. The pilot programs were evaluated by DOL. Even this morning's Times points out that, "Study indicates job program improved black youth pay."

And then it went into a good story about--and obviously people must have been aware of this evaluation and aware of the results of the study which showed that this particular approach that was worked out in 1977 has been effective in putting people, young people, to work.

Secretary DONOVAN. Well, I think we can honestly disagree and discuss how effective it was.

Senator KENNEDY. Are you familiar with this report?

Secretary DONOVAN. I am. I thought you were talking about the Minimum Wage Study Commission.

Senator KENNEDY. No, I wasn't.

Secretary DONOVAN. Now I know what you're talking about.

Senator KENNEDY. I was talking about the 1977 act.

Secretary DONOVAN. That's the YIEPP, or "Yipe" program that you're discussing there, Senator.

Senator KENNEDY That's right.

Secretary DONOVAN. It was targeted——

Senator KENNEDY. Youth Incentive Entitlement Pilot Project.

Secretary DONOVAN. I want to be fair and state to you where we think it was effective and also where we think it was not. One of the primary efforts behind that program was to keep our teens in school, was it not?

Senator KENNEDY. That's right.

Secretary DONOVAN. Well, we found that YIEPP was not effective in encouraging participants to stay in school. The school dropout rate was only slightly lower in demonstration sites than in other areas. Despite the incentives—and this was 100 percent subsidies to employers—most YIEPP jobs were in the public sector. A full 77 percent of those dollars were spent for public sector jobs. A very direct comparison, I think, to the CETA public sector programs of the past.

The wage subsidy experiment showed that private employer participation—and I think that is key to getting our youth today a meaningful experience—the private sector participation rates fell from a high of 18 percent to 10 and then to 5 percent as the subsidy was reduced from 100 to 75 to 50 percent.

Yes, there was an indication of an increase of approximately $10 a week in earnings, but these earnings were attributable more to the increased labor force participation as opposed to higher wages.

Senator KENNEDY. I don't want to interrupt, but we have a strong chairman here that follows that clock very quickly, and I would be glad to have the rest of the statement in response put in the record.

[Response of Secretary Donovan to questions asked by Senator Kennedy follows:]

INFORMATION SUPPLIED FOR THE RECORD,
PAGE 28, LINE 3, IN RESPONSE TO A
REMARK BY SENATOR KENNEDY.

We believe there are a number of reasons to be cautious about the YIEPP approach.

- First, the demonstration was not successful with out-of-school youth. School dropouts had a low participation rate to begin with (25 percent), and 46 percent of the dropouts who participated dropped out again. The program did not result in out-of-school youth returning to school. There were no significant effects on dropout and return-to-school rates in the second year of the program.

- Second, the program was not effective in encouraging participants to stay in school to further or complete their education. The drop-out rate was only slightly lower in demonstration sites than in other areas and there was no discernable effect on secondary school graduation or college enrollment.

- Third, despite the incentives provided to the private sector to hire the youths, most of the jobs (77 percent) were in the public sector. Other evidence suggests that subsidized employment and Federally financed work experience in the public and nonprofit sectors are not the most effective approaches to helping the economically disadvantaged, and youth in particular, in obtaining private sector jobs later in life. Because of concerns about these approaches, public service employment was proscribed and work experience was severely restricted in the Job Training Partnership Act.

- Finally, it must be remembered that this was an intensive program effort limited to a relatively few demonstration sites. It has been pointed out that to the extent that the program was successful, some of the success may be attributed to the "Hawthorne effect". That is, major experimental efforts, involving extraordinary management oversight, tend to be more successful than programs operating under normal circumstances.

There is a great deal of data relating to the effects of work experience programs. The preponderance of the evidence does not support work experience as being an effective employability tool, compared with other approaches. For example, a Supported Work Demonstration program in the late 1970's tested the effectiveness of transitional work programs for hard-to-employ persons such as school dropouts. Although the program did experience some limited success for long-term welfare clients, youth participants did not experience significant employment gains relative to a control group. More recently, in the longitudinal studies of participants in the CETA program, there has been no evidence that participation in work experience programs had a positive impact on the post program employment and earnings of these participants; the data, in fact, suggest that work experience may have impaired the subsequent employment and earnings prospects of the youth who participated.

Senator KENNEDY. If I could just cover a couple of other areas, I find it difficult to understand the rationale that the private sector was not interested in finding jobs for these young people when it was basically being subsidized by the Federal Government, and you believe they're going to find jobs for these people with the subminimum wage. I think there's a kind of leap in logic to that.

But let me get back to——

Secretary DONOVAN. I don't think so, Senator.

Senator KENNEDY. You don't?

Secretary DONOVAN. I think the leap in logic is not there. Some of the very good programs that we have right now, and that we support, like Targeted-Jobs Tax Credits, have not been as well received as we would like. It's better received now than before we came here. In 1981 there were only 200,000 youth involved in that program; this year we hope to have 531,000.

But any time that the Government is involved in a program, with its bureaucracy and its paperwork and other demands and other restrictions, it's tougher to market. That's the simplicity and the universality of this proposal of ours.

Senator KENNEDY. Yes.

Secretary DONOVAN. It's very attractive from that point of view.

Senator KENNEDY. That might be so. I don't believe it to be so. And we, I suppose, can argue about various studies. I would refer to the central city employment opportunity studies done by two professors from Utah.

The CHAIRMAN. Holy cow. [Laughter.]

You really got my attention there.

Senator KENNEDY. A significant majority of negative responses indicate that the minimum wage is not an obstacle to the employment of young workers for the firms surveyed, and they show that 83 percent reach that conclusion.

Let me get to another—because I will only have time now for really a question or two—and that is, do you support the $100 million summer employment program that has passed the House and the Senate?

Secretary DONOVAN. I do.

Senator KENNEDY. And are you urging the President of the United States to work with the leaders of the House and the Senate to try to see if there can't be immediate action on that proposal?

Secretary DONOVAN. Let me say, Senator, when I recognized in January of this year that this year's Summer Youth Program money, although the same amount of money, $712 million, was being distributed on a different formula, thereby helping rural cities but hurting major cities, I notified this committee and the committee in the House that in my view it had to be corrected.

So I was on record very early in that area. I know the purpose of the question that you're asking. When the President the other night was asked that question, he said he wanted both. And I can only requote him. He does want both.

The CHAIRMAN. Your time is up, Senator Kennedy.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR EDWARD M. KENNEDY

When Secretary Donovan appeared before this committee in March 1981, he called for a broad based youth employment strategy and refused to endorse a youth subminimum wage proposal until all the questions about its fairness and effectiveness were answered.

Today, after young Americans have borne the brunt of the Reagan recession and he has presided over a major reductions funding for youth employment programs, he is back to endorse a recycled subminimum proposal whose sole justification appears to be the approaching election.

Nothing has happened in the past three years to justify the revival of this shopworn idea.

The Youth subminimum panacea is a blunt, untargeted instrument that will neither solve our youth unemployment problem nor benefit the inner city youth who are most in need of assistance.

Since 1969, Congress has repeatedly rejected a subminimum wage because it ignores the real causes of youth unemployment, and because it violates the basic principle of equal pay for equal work.

The Administration says its plan will create 400,000 new jobs but offers little evidence to support that claim and no comfort to the thousands of adult workers whose families would pay for this experiment in market management.

The truth is that supporters of the youth subminimum are opposed to any minimum wage for any American workers—whether they are young or old, male or female, black or white. As usual, the Administration's main concern is incentives for employers rather than equity and real job opportunities for our disadvantaged youth.

But years of experiment and study has shown time and again that no amount of wage subsidy—not even 100 percent—provides sufficient incentive for many employers to lend a hand and provide job prospects for the hard core unemployed.

No one denies that the subminimum proposal will reduce the wages and threaten the job security of currently employed adult workers. So I at least expected a new approach to enforcement in order to close this clear avenue for exploitation.

Yet we have no novel approach. Not one new investigator will be appointed in an agency whose investigative staff has been cut by 20 percent since 1981 and where noncompliance with the law is the rule, not the exception. Even the Department admits that nearly two-thirds of the employers it currently investigates are found to violate the law. Our inability to stop violations today strongly suggests we will do even worse if we adopt this open invitation to pit worker against worker.

Youth unemployment is one problem that a decade of experience has taught us something about. We know that principal causes are deteriorating inner city labor markets, poverty and discrimination. We know the solutions are better education and more training and work experience that provides the motivation to continue working. And we also know that the problem cannot be solved on the cheap.

I wish that just once this Administration would propose a solution to some problem that didn't involve reducing protections for workers and whose main virtue is that it won't cost anything.

Five years ago we were well on our way to winning the war on youth unemployment. In 1977, a bipartisan coalition in both Houses of Congress passed landmark legislation for programs to train and employ young people.

One of the most important was the youth Incentive Entitlement project, a demonstration project which offered jobs to poor youth if they stayed in or returned to school. It was carefully studied and the results were dramatic: employment increased by 70 percent, the school dropout rate declined by 12 percent, and the number of youth returning to school to complete their education increased by 63 percent. In addition, the private sector provided jobs in unprecedented numbers and hired a number of these young trainees after they left the program.

But the 1980 election signaled the end of these very successful efforts. While youth unemployment has skyrocketed, our efforts to combat it have dwindled to a trickle. Today we are spending a little over half of what was budgeted four years ago and even less than we were spending during the last year of the Ford Administration.

Congressman Gus Hawkins and I have introduced legislation that would build on the successful experience of the 1970s. It would mean jobs for one million unemployed teenagers who would, in return of this opportunity, stay in school and learn.

And right now a $100 million summer jobs program that would work this summer is being blocked because the Administration refuses to compromise on covert aid to Nicaragua. These programs provide a real way to give kids a chance in this society.

Like most issues, youth employment is simply a matter of priorities.

President Reagan had a clear opportunity to choose between proven programs and unproven economic theory. He has unfortunately chosen the latter and America's young people will be worse off as a result.

The **Chairman**. Senator Quayle.

Senator **Quayle**. Thank you, Mr. Chairman.

I want to congratulate the Secretary and also the administration for coming forward with this proposal. I do think it certainly is an idea that warrants our attention. It in many respects represents a new idea and one that no administration before had put forth and supported. It has been a concept that has been talked a lot about in economic circles, but this is the first administration and you are the first Secretary of Labor to endorse this concept. And I congratulate you for doing it because I think it shows a definite concern with the youth unemployment problem that we certainly find ourselves with today.

Just a moment ago you said that the targeted-jobs tax credit had not been well received but it's being well received now. Does that mean that you are now or continue to be very impressed with this program and that the future of this targeted-jobs tax credit program ought to be with us for a long period of time, with the double enrollment, I believe, that you pointed out? Or do you still see some problems with that?

Secretary **Donovan**. Well, when I said it wasn't well received, I think the facts bear it out, Senator. It wasn't marketed well in the early stages and then when it was marketed, there were some conditions in the law that apparently the private sector felt weren't worth living with to get the tax credits.

But marketing was a major problem, and we have marketed it strongly at the Department of Labor and that's why you see the increases from 200,000 participants in 1981 to 530,000-some this year.

I am a strong proponent of this program and I just hope it goes on, and I hope the Congress extends it for several more years.

Senator **Quayle**. OK. So we have the targeted-jobs tax credit. We also have the summer youth employment——

Secretary **Donovan**. Yes, sir.

Senator **Quayle** [continuing]. Which you are a strong proponent of. So we have got two programs that deal with summer youth.

Secretary **Donovan**. And if I can add another one——

Senator **Quayle**. Yes.

Secretary **Donovan** [continuing]. That we're very proud of in the administration has been the effort of this administration in summer youth private sector involvement. We hear a lot about it, and some say it's overly stated, but in the summer jobs program it isn't. As an example, in Manhattan last year, through the involvement of Citibank and several insurance companies, they placed 21,000 of our youth, at no cost to the Federal Government, into meaningful summer jobs. And that's being done across this country, and it's another important thrust.

I think the President showed his pride in that by the Rose Garden appearance of 125 executives from across the country who are participants in that program and will be again this summer.

Senator **Quayle**. So the private sector participation would be a third program as such——

Secretary **Donovan**. Yes.

Senator **Quayle** [continuing]. That we're involved in with the summer youth. So therefore, you could say that this Youth Employment Opportunity Wage Act would be a fourth major program directed toward summer youth. Is that correct?

Secretary **Donovan**. There are even more. There are others in the Department of Education, as you are aware, and the Department of Agriculture. But, yes, it's——

Senator **Quayle**. Within the Labor——

Secretary **Donovan**. The fourth major one——

Senator **Quayle**. The fourth major one.

Secretary **Donovan**. In addition to the——

Senator **Quayle**. This would be the fourth major program. OK. What group of kids or young people are the other three programs not taking care of? I mean which group is falling through the cracks?

Secretary **Donovan**. Well, take the Targeted-Jobs Tax Credit as an example. It is limited to 16- and 17-year-olds. As you know, it is also for the summertime. It is again the targeting and other restrictions that make the programs, I think, less successful than they ordinarily could be.

Senator **Quayle**. This program is also targeted in the summer, though.

Secretary **Donovan**. Summertime only, 16- to 19-year-olds.

Senator **Quayle**. But it's still targeted as far as just in the summer.

Secretary **Donovan**. I think the major difference here, Senator Quayle——

Senator **Quayle**. So you're focusing on the 18- and 19-year-olds then, is that more so? What I am trying to get—and I don't have it, and I didn't get it in reading your testimony—is, what group of people that are presently not having employment—and I mean it has got to be a fairly narrow group that we have to be going after because this is a fairly narrow program and it's only going to be during the summer and it's going to be the age thing—and I am just trying to figure out which group of people do we feel that are not being served or have the opportunity with the other programs?

Secretary **Donovan**. Well, it's all of them. I mean it's like a net, and a net inside a net, trying to give opportunity to all of the teenagers from 16 to 19 during the summer months.

The difference here is I truly believe that there is not an inexhaustible amount of jobs out there. There are jobs that are not being done because the minimum wage precludes them from being done from an economic point of view. The judgment is that of the employer.

I am convinced that these are, for the most part, new jobs, Senator Quayle, open to any of those youths that we're targeting. There are a million kids who are going to be looking for work this summer who are not going to be able to find it, mainly blacks and Hispanics.

Senator QUAYLE. Would you say that the group that you would like to most serve would these be kids that are out of school or would these be kids that are in between school?

Secretary DONOVAN. For the most part, I would have to presume they would be kids in between school. These are summertime part-time type jobs.

Senator QUAYLE. So you would be saying that this program would be targeted more to the kids in between school?

Secretary DONOVAN. Yes.

Senator QUAYLE. And that's how—then that would be the reason—that was my next question, on why the age 19, because that's who you're trying to focus on are the kids in between school rather than the ones out of school?

Secretary DONOVAN. Yes, but the law is simple and universal. We're not restricting the program to youth who are between school years.

Senator QUAYLE. Yes, I understand that. But what I am trying to get in my mind exactly is on who specifically are you focusing on. That also makes sense than just having it, if that's going to be who you're after, to just have it during summer, not have it for year-round if you're just after the ones that are in between school.

Secretary DONOVAN. The other major reason for the summer is the displacement argument, Senator. We think we have a unique approach to the displacement problem, by structuring it in the summertime.

Senator QUAYLE. Thank you, Mr. Chairman.

The Chairman. Thank you.

Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Secretary, it is my understanding that this would really be somewhat of a pilot program. We'd try it out for 3 years and see how it works. If it did well, then the Congress could choose to renew it. Is that correct?

Secretary DONOVAN. That's correct, Senator, yes.

Senator THURMOND. Now, I was impressed that the National Conference of Black Mayors endorsed it, and the American GI Forum, OIC, and SER, they've all endorsed it, I believe.

Secretary DONOVAN. They have, sir.

Senator THURMOND. It is my understanding that under this bill it would be against the law for an employer to discharge a regular employee in order to take on a person under this program.

Secretary DONOVAN. That's absolutely so. Discharge, or demote or—what are the other words?

Mr. BENJAMIN. Excuse me, Senator. "Discharge, transfer, or demote," would all be prohibited.

Senator THURMOND. Discharge, what?

Mr. BENJAMIN. "Transfer or demote."

Senator THURMOND. OK. Now, you've indicated that the number of jobs created by S. 2687 would be greater, I believe, if those States with minimum wages adjusted their minimum wages to reflect the subminimum wage provided in S. 2687. Do you believe these States would follow the lead of Congress?

Secretary DONOVAN. I would hope so, and that's why, Senator, we want a 3- or 4-year program, so that if we can prove that we are correct that this is creating jobs, it would seem to me sensible for the States to reassess their own minimum wage laws.

So I would hope that if we prove it a success, that would happen. And if it does happen, our numbers say it would increase from 400,000 to 640,000 jobs per summer.

Senator THURMOND. I have favored this idea for several years, under previous administrations, too. And it seems to me that it's an imaginative program and one that provides an opportunity to give work to these young people who might not get it otherwise. I see no harm it could do, and maybe a great deal of good will result from its passage.

Secretary DONOVAN. Thank you, sir. We feel the same.

Senator THURMOND. Thank you.

The CHAIRMAN. Well, thank you, Mr. Secretary. We appreciate your coming, and we appreciate having your associate with you, and we appreciate the testimony you have given here today.

Secretary DONOVAN. Thank you, Mr. Chairman, and members of the committee.

Senator KENNEDY. Mr. Chairman.

The CHAIRMAN. Senator Kennedy does have one additional question.

Senator KENNEDY. Just a few. I will try to get through them quickly.

Mr. Chairman, I would like to ask consent that the findings on the youth entitlement demonstration, which reaches the conclusion that youth entitlement had a marked impact on the employment rates of youth, an increase of 88 percent over what it would have been in the absence of the program, employment increased most dramatically for black youth, the group most burdened by a lack of job opportunities; employment rates were also particularly high for the younger teenagers in the program—it showed that in the younger people in the program, employment during the school year for these teenagers increased at a rate of 115 percent—I would like to have this document included in the record.

And we will let anyone review those conclusions by themselves to find out whether that program has been effective or has not been effective.

The CHAIRMAN. Without objection, we will place it in the record at this point.

[Material supplied follows:]

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FOR RELEASE: JUNE 18, 1984

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MAJOR YOUTH EXPERIMENT YIELDS SIGNIFICANT POST-PROGRAM RESULTS

Positive, post-program employment results were announced today for this country's largest test of a jobs program for low-income youths: the Youth Incentive Entitlement Pilot Projects (YIEPP). In a massive attempt to reduce youth unemployment, the bold $240 million experiment -- the centerpiece of the Youth Act of 1977 -- guaranteed jobs to all youths who wanted them. After a highly promising operational period, the major unanswered question was whether the program would have any longer-term effects on the youths' labor market activity.

"The solid improvement in the youths' earnings and employment in a period after program operations had ceased is evidence that Youth Entitlement's approach was an effective one," said Barbara B. Blum, President of the Manpower Demonstration Research Corporation (MDRC), the nonprofit organization conducting the research on the program. "These results -- and the experiment's emphasis on providing work experience paid at the minimum wage -- have special national significance today, a time when youth unemployment rates continue to rise, especially for black youths."

"This finding is particularly important," said Dr. Judith Gueron, Executive Vice-President and Research Director, "because the demonstration also produced data showing that minority youths want to work. Job shortages and discrimination are more likely reasons for their current high unemployment rates than a lack of motivation."

In commenting further on the importance of Youth Entitlement's findings to policy, Dr. Gueron pointed out that work experience -- as a result of this demonstration -- had gained new validity as an effective technique to help prepare in-school youths for the labor market. "While it had declined in popularity as a strategy for youth programs over the last several years" she said, "we now have new evidence that work experience is an approach of value. Providing part-time work to economically disadvantaged high school students can help this group make a successful transition from school to productive work. Without it, their short-term prospects are substantially more limited."

Among the key findings announced in the report released today, The Post-Program Impacts of the Youth Incentive Entitlement Pilot Projects, and the enclosed MDRC summarization of the demonstration's finding, Lessons from a Job Guarantee, were the following:

- A job guarantee was successfully delivered to all low-income youths who wanted to work. This required job creation on a very large scale;

- Participation rates were unusually high, confirming that disadvantaged minority youths have a strong interest in working;

- Employment and earnings gains were exceptionally large during the operational period and continued at substantial levels during the post-program period; and

- The private sector supplied jobs at a level never before obtained in a youth employment program.

Building on this experience, Ms. Blum announced the start-up of a new MDRC demonstration. "Through Youth Entitlement, we learned that a large segment of low-income youths can benefit from good quality jobs as they continue school," said Ms. Blum. "We now need to determine what may assist another important group of unemployed youths: school dropouts. They, too, want to work, but need help beyond that which Youth Entitlement was designed to offer. Prior research has suggested that comprehensive programs combining work with training and remedial education may better prepare dropouts for jobs than a single approach."

JOBSTART, the new program for 18- to 21-year-old school dropouts, begins this month in a pilot phase and is the centerpiece of a conference held in New York this week. Drawing on Youth Entitlement, it will test a new linkage between education and work. "The needs of the dropouts are diverse," said Robert Ivry, Vice-President of Operations, "and their problems are of serious proportions. Effective solutions must be developed to direct this critical group back into the mainstream of employment opportunities. In an environment of limited resources, the first step is to examine the practices and policies of existing programs in order to develop the best possible model to test." The National Alliance of Business is working with MDRC in this task.

JOBSTART is supported by a consortium of national foundations, each of which is deeply concerned with the problems of persistently high dropout rates, illiteracy, and the employment deficiencies of older school dropouts. Planning and exploratory work were conducted under grants from The Rockefeller and The Ford Foundations, with the William and Flora Hewlett, the Charles Stewart Mott, and the Aetna Life and Casualty Foundations supporting the current activities. As the demonstration progresses and the pace of the research intensifies, other foundations have expressed an interest in providing support.

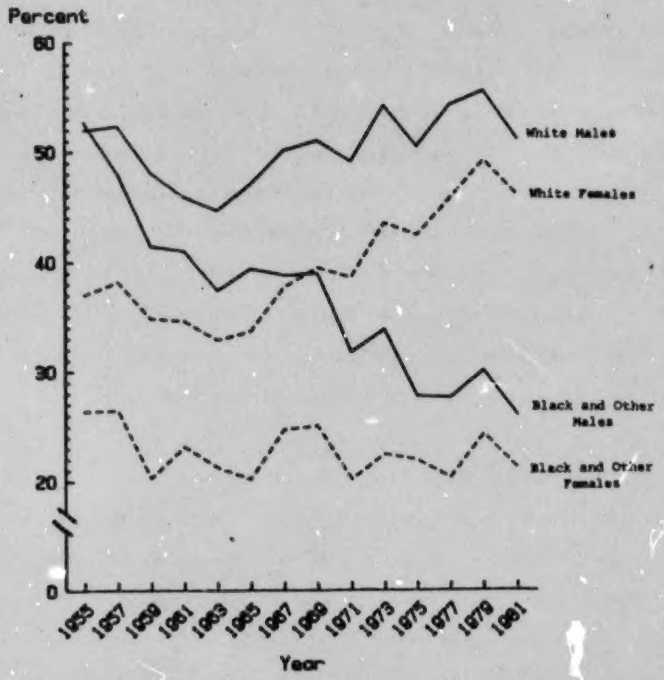
In contrast, the Youth Entitlement demonstration, which operated between early 1978 and mid-1980, was a federally-funded experiment, mandated by Congress as part of the Youth Act of 1977. As this country's first test of a job guarantee for youths, it was a marked departure from even the large-scale summer jobs program traditionally offered to youths. Youth Entitlement sought to discover if a guaranteed job offer (part-time during the school year and full-time during the summer) would improve the employment rates of 16- to 19-year old low income youths, not only while they attended school, but in the future as well. The job offer was tied to the requirement that the youths return to, or remain in, school and progress toward a high school diploma or equivalency degree.

The U.S. Department of Labor had overall responsibility for the demonstration, and contracted with MDRC to supervise operations and to conduct a major research effort on the program's implementation and effects. MDRC is a nonprofit organization established 10 years ago to test alternative approaches to the solution of social problems in this country. Its aim is to carry out carefully managed research demonstrations which evaluate, in a rigorous manner, the feasibility of proposed new programs and their short- and long-term effectiveness. Under its supervision, over 76,000 youths held Entitlement jobs in 17 different areas of the country, including large cities -- such as Baltimore, Boston, Cincinnati, Detroit, Denver and Seattle -- and rural areas (for example, 19 counties in Mississippi, northern Florida, Steuben County, New York).

The demonstration was designed against a background of serious and increasingly negative trends for the future of minority youths in the labor market. During the past 25 years, the employment rate of black teenage males -- which was roughly equal to that of white youths in 1955 -- had been reduced by half (see attached Figure I). The pattern for black teenage females, while different, was equally serious. An 11 percent gap in employment, compared to the rate for white teenage females, had more than doubled by 1981, as minority female youths failed to share in the employment gains of white teenagers. Thus, Youth Entitlement's two major

FIGURE 1

EMPLOYMENT RATES FOR 16- TO 19- YEAR-OLD YOUTHS
BY SEX AND RACE, 1955 - 1981



SOURCE: Handbook of Labor Statistics, December, 1983, Bulletin 2175, U.S. Department of Labor, Bureau of Labor Statistics, and unpublished statistics.

objectives -- to alleviate the immediate high unemployment rates, and to improve the long-term employment outcomes of disadvantaged youths -- held promise of not only helping a large segment of unemployed youths, but of yielding important information on the background and causes of youth unemployment.

The focus of the report released today, prepared by Abt Associates Inc. under subcontract to MDRC, is the analysis of the youths' employment outcomes at a point after program operations had ceased. This part of the research has long been awaited as the culmination of an intensive examination of the program and of a large sample of eligible youths in the demonstration and matched comparison areas. This sample was interviewed at program start-up and followed over the course of the demonstration, a transition year, and a short post-program period.

"It was no surprise," said Dr. Gueron, "that there were strong, positive employment increases during the operational period. However, the magnitude of these gains, especially for the younger black youths, surpassed expectations. Youth Entitlement clearly met its short-term goal of increasing employment in the areas where the demonstration operated."

The findings below, which are summarized in the attached Table 1, highlight the program's operational success:

- In areas when Youth Entitlement operated, the employment rate during the school year grew from 21.5 percent in comparison

TABLE 1

THE YOUTH INCENTIVE ENTITLEMENT PILOT PROJECTS

IMPACTS ON YOUTH EMPLOYMENT DURING THE OPERATIONAL PERIOD

	PERCENT OF ELIGIBLE YOUTHS EMPLOYED IN PROGRAM AND COMPARISON SITES			
	COMPARISON SITES	PROGRAM SITES	DIFFERENCE	INCREASE
DEMONSTRATION AVERAGE				
ALL SAMPLE YOUTHS	24.6	41.2	+ 16.6	68%
YOUTHS 15 TO 16 YEARS OLD AT PROGRAM START-UP	22.1	40.7	+ 18.6	84%
BLACK YOUTHS	21.1	41.3	+ 20.2	96%
WHITE YOUTHS	31.2	37.4	+ 6.2	20%
SCHOOL-YEAR AVERAGE				
ALL SAMPLE YOUTHS	21.5	40.3	+ 18.9	88%
YOUTHS 15 TO 16 YEARS OLD AT PROGRAM START-UP	18.4	39.6	+ 21.2	115%
BLACK YOUTHS	17.3	40.7	+ 23.4	135%
WHITE YOUTHS	29.4	37.0	+ 7.6	26%

Source: Farkas, George; Smith, D. Alton; Stromsdorfer, Ernst W; Trask, Gail; Jerrett III, Robert. *Impacts From the Youth Incentive Entitlement Pilot Projects: Participation, Work, And Schooling Over The Full Program Period*. New York: MDRC 1982.

sites to 40.3 percent in the program sites, an increase of 88 percent. The rates for the young group and black teenagers increased even more sharply, by 115 percent and 135 percent, respectively, over the rates observed in comparison areas.

- The largest effect -- a 179 percent increase -- was found for black females, the group registering the lowest employment rate in the absence of the program.

Thus, as seen in the table, Youth Entitlement eliminated and even reversed the gap between black and white youth employment rates. The employment of black male youths became equal to that of white youths, and the employment of black females increased to a one-third higher rate than that of white females.

"Despite these strong gains," said Ms. Blum, "it was critical to see if any of these increases could be sustained in a post-operational period, particularly because previous research had shown that work experience alone does not improve the longer-term employability of youths. In this report, there is strong evidence that it can. The earnings increase in the operational phase persisted on into the post-program period at a statistically significant level."

The sample used in the post-program analysis was made up of black youths, aged 15 and 16 at program start-up. The young sample was used to approximate a group which would have the opportunity to participate in an ongoing Youth Entitlement program. Black youths were selected because this group formed three-quarters of the total sample and because the problem of high black unemployment rates has particular policy significance.

Table 2 shows the average weekly earnings of youths in the program and the earnings of a similar sample of youths in comparison areas where Youth Entitlement was not offered. During the period of full program operations, there were statistically significant and large increases in average earnings of about $10 to $13 a week. During the post-program period, that increase remained almost constant at $10.48 per week (or $45.41 per month), an almost 40 percent increase over the adjusted earnings of youths in comparison areas. This is a very sizable effect for a youth jobs program.

The following findings amplify this important post-program result:

- The increase in post-program earnings translates into a $545 average annual increase in earnings per program-eligible youth. In addition, since this gain averaged over all eligible youths, including those who never participated and worked in Youth Entitlement, the figure is higher when estimated for participating youths. For those youths, the increase was $747 per participant.

- These positive earnings were primarily caused by higher employment rates in the sites where Youth Entitlement had been offered, although more hours of work and slightly higher wage

TABLE 2

THE YOUTH INCENTIVE ENTITLEMENT PILOT PROJECTS

IMPACT ON AVERAGE WEEKLY EARNINGS FOR BLACK YOUTHS DURING AND AFTER PROGRAM OPERATIONS

	AVERAGE EARNINGS PER WEEK			
	COMPARISON SITES	PROGRAM SITES	DIFFERENCE	INCREASE
SCHOOL YEAR				
1978-79	$7.14	$18.63	$11.49	161%
1979-80	$18.42	$29.02	$10.60	58%
1980-81 (Phase-Out Year)	$22.71	$33.23	$10.52	46%
Fall 1981 (Post-Program Period)	$26.72	$37.20	$10.48	39%

Source: Farkas, George; Olsen, Randall; Stromsdorfer, Ernst W; Sharpe, Linda C.; Skidmore, Felicity; Smith, D. Alton. Post-Program Impacts of The Youth Incentive Entitlement Pilot Projects. New York: MDRC 1984.

rates also contributed to the increased earnings.

- *Consistent with these findings, Youth Entitlement* increased the labor force participation and decreased unemployment among the target group population.

"Another important goal of the program," said Dr. Gueron, "was to see if the job offer would serve as an incentive to draw out-of-school youths back to an acceptable educational program and reduce the dropout rates of youths currently in school. However, the research found no evidence that Youth Entitlement had either increased school enrollment or graduation rates, or reduced the dropout rates of the young black sample. While interim reports had projected more positive schooling results for the full sample (which contained small numbers of white and Hispanic youths), these outcomes were influenced by atypical conditions prevailing in one of the comparison sites. When the effects for this site were discounted, the positive schooling effects did not hold up.

"Nevertheless," continued Dr. Gueron, "the school enrollment and performance requirement attached to the job offer probably served to minimize the potentially adverse effects of an employment program, which in some cases can cause youths to drop out of school to obtain jobs."

In reflecting on the entire research program connected with Youth Entitlement, Ms. Blum noted that the demonstration had not only answered questions on the effectiveness of a job guarantee, but it also provided important new information on the nature of the youth labor market and the design of youth programs in general. She cited the following findings as particularly critical ones:

- Unusually high participation rates, which suggest that when jobs are available, low-income youths are eager to take them. Eligible teenagers joined the program in unexpectedly large numbers, even though school enrollment, good performance and school attendance were required. Fifty-six percent of the youths had worked in a program job by the demonstration's end. Of those who heard of the program, four out of five enrolled. Participation was highest for the young black sample, among whom 73 percent enrolled and held a job.

- Large-scale job creation is feasible, to the point that in Youth Entitlement, the delivery of the job guarantee posed few problems. The Entitlement story was one of considerable managerial success. Operated by the then CETA system, prime sponsors had little difficulty -- after a short start-up period -- in providing a sufficient number of high-quality jobs. A total of 45 million hours of work was delivered to 76,000 youths by almost 11,000 employers.

- The cooperation of the private sector can be gained in a jobs program for disadvantaged youths. Private firms could receive a full wage subsidy in the program, and large numbers of them offered jobs. Their numbers increased over the demonstration so that about 55 percent of all Entitlement work sponsors were private businesses. However, most of these firms were small ones and could employ only one or two youths at a time, meaning that in any large-scale program, the public sector is critical in the job development task.

- *Meaningful work positions, which are not "make-work," can be supplied in large quantities.* Over 86 percent of the Youth Entitlement jobs were found adequate or better in a special study of quality conducted by MDRC. Four out five sponsors found the youths' work valuable to their agencies or firms, and at nine out of ten worksites, youths were satisfied with their jobs. One-fifth of the youths were subsequently hired by the private firms orginally sponsoring them in the program.

- *While a job guarantee will have the most dramatic effect on employment rates, the Entitlement approach can be implemented as a fixed slot, limited-budget program.* The school-conditioned work experience program was operated on a reduced scale during a transition year between the demonstration and the post-program period. Over 22,000 youths received jobs as they continued to attend school and meet other program requirements.

- *A job guarantee, or a school-conditioned jobs program on a* slot-level basis, can be relatively inexpensive to operate. The cost of keeping a participant in the Youth Entitlement program for one year averaged $4,382 across the 17 sites. This is the same cost as that of operating a typical youth employment and training program during fiscal year 1980, and substantially less than the costs of other programs funded under the Youth Community Conservation and Improvement Projects, the Young Adult Conservation Corps and the Job Corps, which also operated during this period. Implementing a nationwide, targeted job guarantee would cost between $1.6 and $1.8 billion a year in 1980 dollars.

The research also concluded that a similar job guarantee, operated today, would probably have larger effects on the target population. The Youth Entitlement demonstration was conducted in a period in which an exceptional number of alternative youth employment and training programs were operating. Entitlement's evaluation design could not be isolated from this environment. Comparison site youths were employed in other special programs, which themselves may have had positive effects. Thus, a youth Entitlement program would probably have stronger impacts under current conditions.

"However," said Ms. Blum, "we must not forget the importance of conducting more research on alternative strategies. While quality work experience -- without skills training and systematic educational enrichment -- has a positive impact on subsequent employment and earnings for youths who have attended school, this does not mean that training and other programmatic approaches are not also useful. We must consider the educational and other deficits of youths, which should be corrected in some way. Unfortunately, the amount of hard evidence on appropriate programmatic strategies is extremely limited. It is for this purpose that we are undertaking JOBSTART for the smaller, but critical, older school dropout population."

Dr. Gueron echoed this viewpoint, but emphasized that large numbers of youths could be helped by the combination of work and schooling offered in Youth Entitlement. "The achievements of Youth Entitlement stand as evidence against a complacent acceptance of the deteriorating employment situation facing most poor youths. The shortage is jobs, not motivation, and it is possible to reverse this in a way that will not only increase short-term equity, but yield longer-term benefits as well."

Senator KENNEDY. Mr. Secretary, how many States would have to change their laws, minimum wage laws, in order to be able to take advantage of this program?

Secretary DONOVAN. Well, it breaks down into about four categories, Senator.

Senator KENNEDY. Well, I understand some 25 States would have to change their laws.

Secretary DONOVAN. Twenty-six would not have to.

Is that not——

Mr. BENJAMIN. That's correct.

Senator KENNEDY. Well, more than 25 have to.

Secretary DONOVAN. No. There's another category. If I can find it, I can read it right off.

Senator KENNEDY. Well, let's just say 20—because I am under a lot of pressure in terms of time—there are 20 States that have to, at least 20 that have to change their laws. Am I correct?

Secretary DONOVAN. Thirteen States have laws that would limit YEOW's effect—limit, not exclude it. Twenty-six States have no laws, or laws that would allow YEOW; 11 States and the District of Columbia have laws that would virtually prevent YEOW from having any effect. Eleven States, and the District of Columbia, Senator.

Senator KENNEDY. Well, do you realistically think that those States are going to be able to change their laws now at the end of June to be able to take advantage of this program?

Secretary DONOVAN. Well, that's why we have given you two sets of numbers with the given law.

Senator KENNEDY. So isn't the answer to that, "No"?

Secretary DONOVAN. No, with the law as it exists.

Senator KENNEDY. Is the answer, "Yes"?

Secretary DONOVAN. We will produce 400,000 jobs this summer under present State law if you pass this legislation.

Senator KENNEDY. And what is the justification for that? Now, don't turn to your aide; just give me what the justification for that is, 400,000?

Secretary DONOVAN. Well, I see you turning to your aides all the time. [Laughter.]

Senator KENNEDY. That's right. And you're up here to try to justify the program.

Secretary DONOVAN. If you want to talk to your aides, you go ahead and do that.

Senator KENNEDY. Well, just give me the answer for 400,000 jobs. That's a key element. You say that you've got the information to be able to do that.

Secretary DONOVAN. Well, before you came in, we testified to that question from the chairman.

Senator KENNEDY. Maybe you can tell me now. Maybe you can tell me what the justification for it is.

Secretary DONOVAN. Let me use the justification of what you called, or somebody called, a "bipartisan" commission, the minimum wage study——

Senator KENNEDY. If you would get the testimony here before, we wouldn't have to rely on our aides anymore, Mr. Secretary. There is a law of this committee to get your testimony 24 hours before, and I have to take time to read through testimony. And when it's just arrived here at the start of a hearing, we have to rely on our aides.

Secretary **Donovan**. I am told it was brought up on Friday.

The **Chairman**. It was here on Friday.

Senator **Kennedy**. Friday when?

The **Chairman**. Friday evening. [Laughter.]

Senator **Kennedy**. All right. Can you answer the question?

Secretary **Donovan**. Friday when?

Senator **Kennedy**. Yes.

Secretary **Donovan**. I don't know.

The **Chairman**. Let's let the Secretary answer the question.

Secretary **Donovan**. We have answered that question for Senator——

Senator **Kennedy**. What time Friday or what time Friday? [Laughter.]

Go ahead.

Secretary **Donovan**. Are you serious about an answer, Senator?

Senator **Kennedy**. I am. Have you got one?

Secretary **Donovan**. Let's forget for a moment the production of numbers as it comes out of this Labor Department, because you seem to be quite skeptical about them. The Minimum Wage Study Commission that was appointed by President Carter was called "bipartisan" but it wasn't. It was the Secretary of Labor, Secretary of Health and Human Services, and Agriculture who came up with this conclusion. On page, I believe it's 48, of that conclusion, they said that, "A reduction of 25 percent in the minimum wage would produce anywhere from 150,000 to 350,000 jobs." This estimate has nothing to do with us. We project 400,000. I think both are very substantive numbers.

Senator **Kennedy**. Well, you just said it might be as low as 150,000. How do you justify the additional 250,000? I mean where do you draw that? Just out of the air?

Secretary **Donovan**. No; we did an analysis of the impact of the minimum wage from 1950, and found that a key factor was the increase in coverage to include 83 percent of employees under the minimum wage rather than increases in the minimum wage. That's where there was a direct relationship. You can chart it just as simply as a schoolchild. As those employees were incorporated under the act, minority youth unemployment grew.

The number of new jobs that would be created, as I said in my testimony, would be about 400,000. It could be slightly less, but it certainly could be more.

Senator **Kennedy**. Well, Mr. Chairman, I know the time is back up again.

I would also like to include here the groups of organizations, nine different organizations that I have here, that have opposed this, all organizations which have been involved from the beginning in trying to develop and fashion effective youth employment programs.

These organizations have questions not only about the numbers; they wonder how there could possibly be enforcement of this program when, even under the minimum wage at the present time, the Department of Labor has already shown that between 65 and

70 percent of the industries which have been investigated are not in compliance with the law. This was at a time when they were looking at home employment. And to think with the reduction of personnel that they have down there to investigate—and it's been about a reduction of 25 percent of enforcement personnel in the Department over the period of the last 3 years—I think it's completely unrealistic.

To look at the backlog in terms of investigations even under the minimum wage laws, and to think that you're going to add the enforcement responsibility to the Department to enforce this, I think is completely unrealistic. I think that's unrealistic. I think the numbers are unrealistic. I think that even if the legislation were to pass, given the amount of States that would have to change their laws, that it would be completely ineffective in terms of meeting the problems this summer, and perhaps even the summer beyond.

I do think that I would like to just see the Secretary spending as much time up here talking with our majority leader to see what can be done in terms of expediting the resources to try to put young people back to work this summer. That's where there is a need.

I think it would be enormously valuable and helpful in terms of trying to address this particular issue.

The **Chairman**. Would you like to respond, Mr. Secretary?

Secretary **Donovan**. Well, I think some of the Senator's numbers and statistics are quite misleading with regard to the cutbacks in the particular enforcement area that is his concern, and mine. It is our heartfelt desire to have summer employment for these kids, Senator Kennedy. I am not saying this is the answer to it. Obviously, it isn't. But it's a tool whose time has come. And in your earlier statement when you opened your line of questioning, you inferred that we are doing this in a political year. Yes, this is a political year, and it takes political courage to be the first administration to sit here and try to bring to the attention of this committee and of this country a tragedy that's going on out there and offer a tool to help satisfy that need.

The **Chairman**. Well, thank you, Mr. Secretary.

Senator Denton, do you have any questions for the Secretary?

Senator **Denton**. I am sure you have asked the questions I would have, Mr. Chairman.

I would mention that I want to greet the Secretary, and my friend.

Secretary **Donovan**. Thank you, Senator.

Senator **Denton**. And his associate.

And I would like, Mr. Chairman, rather than interrupt the flow of the meeting, to suggest or move that my statement on behalf of the Youth Employment Opportunity Act be included in the record as if read.

I would mention that I campaigned on this issue when I was a candidate for the Senate, and it was quite popular in my State.

The **Chairman**. Without objection, we will place that in the record immediately following Senator Percy's statement.

Without objection, we will place the list of organizations that Senator Kennedy has referred to in the record at this point.

[Material supplied follows:]

Some Organizations Opposing Youth Subminimum Wage

1. NAACP
2. League of United Latin American Citizens (LULAC)
3. The Leadership Conference on Civil Rights
4. The Congressional Black Caucus
5. The Congressional Hispanic Caucus Democrats
6. The United States Student Association
7. AFL-CIO
8. U.S. Conference of Mayors
9. The Full Employment Council
10. National Council of La Raza

The **Chairman**. We appreciate your coming, Mr. Secretary.

Secretary **Donovan**. Thank you, Mr. Chairman.

The **Chairman**. This is always a hot issue, and I think you have handled it very, very well. I may have some questions to send to you in writing that will help to flesh it out a bit more.

Senator **Kennedy**. I would ask to reserve for the other members the opportunity also.

The **Chairman**. Sure. In fact, we did at the beginning of the hearing.

Senator **Kennedy**. We could submit them by tomorrow.

The **Chairman**. Yes; at the beginning, we reserved for all members of this committee the option to submit questions in writing to any or all witnesses.

We certainly appreciate your time being here with us today.

Secretary **Donovan**. Mr. Chairman, Senators, thank you.

I just wanted to leave you with one thought. As I go around this country I ask this question, "Do you remember the first check you ever got from the private sector," Sixty to seventy percent of the people raise their hand; they remember it because they have self-esteem, they stood 10 feet tall. This is the major issue that we're talking about, and we've been denying these kids that opportunity too long. It is important, much more important than the $2.50.

The **Chairman**. Well, I think it's time to try some new things. We sure haven't beaten this problem or solved this problem with what we've tried in the past, although we have made some headway in some areas. And I think we should continue to do that. But let's certainly be willing to try some new and innovative things as well. And this bill certainly is.

I have to admit, as a sponsor of the prior bill, which was a year-long bill, I think the idea of bringing it from May 1 to September 30 is an ingenious idea. I think we ought to give it a shot on behalf of the young people of this country who really might never have a chance.

Secretary **Donovan**. Thank you, sir.

The **Chairman**. Thank you, Mr. Secretary.

At this time we would like to call on our friend the Honorable Julian Dixon to present testimony in opposition to the legislation.

Congressman Dixon is currently serving the 28th District of California in the U.S. House of Representatives, and he is speaking on behalf of the Congressional Black Caucus in his testimony today.

Congressman Dixon, we are delighted to have you with us. We look forward to taking your testimony and getting the viewpoint of not only yourself but the Congressional Black Caucus as well. So we will turn the time over to you.

STATEMENT OF HON. JULIAN DIXON, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Representative **Dixon**. Mr. Chairman and members of the committee, I appreciate the opportunity to testify this afternoon and to express the Congressional Black Caucus' unanimous opposition to the Youth Opportunity Wage Act, which, in our opinion, does not offer a solution to the problem of youth unemployment.

In making this proposal to restructure the Fair Labor Standards Act, the administration has not provided evidence, in our opinion, that suggests that this will either generate one new job which would otherwise not be filled or that the subminimum wage would train young people for future employment.

We also disagree with the implication that somehow the minimum wage is responsible for young people, and particularly low-income young people, being out of work.

It is the lack of access to training and education, coupled with general economic conditions, which limit opportunities and threaten this generation of unemployed young people.

For a moment, let us consider some of the claims which have been made by the Labor Department and the White House in announcing this proposal.

First is that the lesser wages young people receive will be offset by the training that they receive. It is a fact that the minimum wage jobs are, by their very nature, low skill. Most of the training for either canning pears or peas, or peaches, or busing tables, is accomplished in the first day and do not generally lead to upward mobility without additional education or training.

The second claim is that the establishment of a subminimum wage will not replace older workers. I think it's clear that it is a fact that this is an empty promise, since only the discharge of present workers is prohibited under the proposal. Minimum wage jobs are traditionally high turnover, and nothing in this proposal prevents an employer from using teens to fill jobs traditionally held by young adults at minimum wage.

Mr. Chairman, this proposal will pit father against son and mother against daughter in many low-income communities where the competition for jobs is keen and very strong.

Especially in the areas of seasonal employment, employers given the choice between $2.50 an hour for a teenager and $3.35 an hour for adults will hire at the lesser wage.

Furthermore, the Reagan administration has already dismantled the mechanisms which would monitor employers to make sure that older workers are not being replaced. The number of Fair Labor Standards Act inspectors has been reduced by about 25 percent under the current administration, with only 3 percent of the Nation's workplaces presently being reviewed.

The current $3.35 minimum wage is inflexible and discourages employers from taking the risk of hiring youth. The fact is that not only is there flexibility within the minimum wage, but also legislation specifically enacted to provide incentives for hiring disadvantaged youth. With the Fair Labor Standards Act there are provisions whereby colleges, retail services, and businesses can apply for full-time high school and college students, paying 85 percent of that minimum wage. Employers must certify that they will not displace older workers with these students. Approximately 33 percent of all students are employed under this program, or about 500,000 students, and 30,000 employers.

Now, as it relates to incentives, Congressman Rangel has authored targeted-jobs tax credit provisions, a tax credit for employers who hire disadvantaged individuals who are out of work, for young people from poor families. And this credit amounts to 85 percent of their wages. It is estimated that three young people have been certified for this program for every one who has been placed with an employer receiving the tax credit.

This clearly demonstrates, in our opinion, that the problem is not wages, but rather the availability of jobs. It is for this reason that the Congressional Black Caucus unanimously supports 5017, the Youth Incentive Employment Act. This bill will generate meaningful employment and ensure access to education and training for low-income young people. Under this proposed $2 billion initiative, some 1 million young people would get their first real chance of gaining significant and meaningful employment.

We believe it is this legislation which offers our Nation the best hope of relieving the burden of joblessness which is crushing the hopes, aspirations, and self-confidence of millions of young Americans, young people.

Unlike the administration's proposal, the Youth Incentive Employment Act targets help for those who are most in need and ensures the participation of continuing their education and training so essential for their future development and success.

The bill's focus on economically disadvantaged youth addresses the core of the teenage unemployment problem, the segment of our society who have benefited least from the economic recovery, by mandating that participating youth maintain certain minimum standards in school or training programs.

We are fighting structural unemployment by reducing the numbers of young adults seeking employment without adequate skills. The House has already made clear its support for 5017 by virtue of its inclusion in the first budget resolution.

Young people in America look to Congress for leadership and constructive answers to problems. The bill provides both for all youth in our society. And I urge the committee to look at this type of job creation legislation that seriously addresses the problem of youth unemployment without wage reduction.

That is the conclusion of my written testimony, Mr. Chairman, and I would be available for any questions.

The CHAIRMAN. Thank you so much, Congressman Dixon. We appreciate having you here.

Senator Kennedy.

Senator KENNEDY. Thank you very much, Congressman. I appreciate your willingness to share your views with us about this legislation and again to have your statement of support for legislation that could provide a million jobs for young people.

We're going to hear a little later in the afternoon from Congressman O'Hara, who is the chairman of the Minimum Wage Commission. One of the points that we were not able to develop with Mr. Donovan, and perhaps you could make a comment on it, and that is, as Mr. Donovan was extrapolating the numbers of jobs, the 400,000 jobs, using the Minimum Wage Commission on that, I found it somewhat difficult to come to the same conclusions he did. But I will read his answers more closely and see if I can find some justification for the administration believing that they can reach the figure of 400,000.

This Commission pointed out that there would be a significant reduction of adult jobs, in the Commission report.

And I would ask, Mr. Chairman, that the appropriate sections of the report be included as part of the record.

The CHAIRMAN. Without objection, we will put that in the record at this point.

[Material supplied follows:]

EXCERPT from MINIMUM WAGE STUDY COMMISSION

A Simple Differential for Teenagers. A differential minimum wage for teenagers would reduce the wages employers pay to the lowest-paid teenagers. It would not directly affect the wages of better-paid teenagers or adults, or the price of other inputs such as machinery.

A lower wage for minimum-wage teenagers will have two effects. First, production costs will be lower, and firms will have an incentive to reduce prices so that they can produce and sell more of their products. This "output expansion" effect increases the use of all workers and other inputs. Its magnitude depends on minimum-wage teenagers' share of production costs and consumers' response to the lower price charged by producers. A reasonable estimate of the effect is that a 15 percent youth differential would increase demand for all inputs by about one tenth of one percent (Brown 1981). The second effect of a youth differential is to encourage firms to substitute minimum-wage teenagers in place of other production inputs such as higher-wage teenagers, adults, or equipment. The prospect of such substitution, particularly for minimum-wage adults, is responsible for much of the controversy surrounding the youth differential.

The fundamental difficulty in estimating the effects of such a differential is that we have never had one. Thus, any estimate must be based, with appropriate adjustment, on some other related experience such as what happens when the minimum wage is changed for both teenagers and adults or when the average wages of youth rise or fall compared with those of adults. Such adjustment sorely tests our catalog of relevant facts from previous research and the ability of the data to give new clues about the appropriate adjustment.

Consider, for example, what can be learned from historical evidence on the effects of the minimum wage on teenage and adult employment. Past increases in the legal minimum and inflation-caused reductions in the effective minimum between legislated increases applied equally to unskilled teenagers and adults. Thus, a youth differential differs from a reduction in the basic minimum wage in that it does not reduce the wages of minimum-wage adults. As a result, we would expect that a youth differential would have greater effects on teenage employment than would a comparable reduction in the basic minimum because the youth differential improves the competitive position of minimum-wage teenagers vis-a-vis minimum-wage adults. For the same reason, effects on adult employment are expected to be worse.[22] Thus, if a 10 percent reduction in the general minimum wage raises teenage employment 1 percent, a 10 percent youth differential would increase it by more than 1 percent. Unfortunately, this leaves two important questions unanswered: How much more than 1 percent would teenage employment rise? How would adult employment be affected?

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[22] Both of these statements assume, as seems plausible, that the substitution response is more important than the output-expansion effect. Because it reduces the wages of low-wage adults as well as teenagers, a general reduction in the minimum wage would have a greater output expansion effect than a comparable youth differential.

Hamermesh (1981) estimates that a 25 percent youth differential would increase teenage employment by about 3 percent or 250,000 jobs. Although he does not calculate adult employment effects, his estimates imply that the output expansion effects would create enough new jobs to offset those lost by adult workers replaced by teenagers. Commission staff performed an alternative calculation based on Hamermesh's work showing a larger teenage employment gain of 4 to 5 percent or 400 to 450 thousand jobs, at a cost of some 50 to 150 thousand adult jobs. Among the alternative calculations of teenage and adult employment effects from Hamermesh's study, those assumptions producing the smallest teenage employment gains also produce the smallest adult losses and those lending to the largest teenage gains also lead to the largest adult losses. Therefore, the implied effects on the total employment of teenagers and adults lie in the relatively narrow range of 250 to 350 thousand jobs.

This discussion gives some indication of a reasonable range of expectations for teenage employment. For various technical reasons, however, they probably understate somewhat the adult employment losses.[33]

An alternative source of estimates is the literature on substitutability of different types of labor, especially teenagers and adults. These studies generally find "easy" substitution between teenagers and adults, suggesting that the increase in teenage employment and probably the reduction in adult employment would be greater than Hamermesh estimates. But it is difficult to get reliable estimates from this literature, partly because some of the estimates of the responsiveness of demand for teenage labor to its price are implausibly high, partly because the studies generally define youth too broadly as those less than 25 years of age, and partly because of uncertainties about the relative substitutability of workers of different skill levels.[34]

These uncertainties are compounded when the possibility of changes in other wages is considered. If a youth differential encourages employers to substitute minimum wage teenagers for other workers, the growing number of displaced workers unable to find employment would tend to lower their wages or at least lead them to rise less rapidly than they otherwise would. Restraining the wages of better-paid teenagers in this way would further increase teenage employment and reduce adult employment, while restraining the wages of better-paid adults would have opposite effects. The excess of minimum wage adults could not, of course, reduce their wages so long as the minimum wage was effectively enforced.

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[33] The change in adult employment is the sum of the gain in adult employment due to output expansion and the substitution of teenagers for adults, holding output constant. The rate at which teenagers can be substituted for adults without changing output depends on their relative productivities, which are measured indirectly by their wages. Hamermesh implicitly assumes that teenagers are being substituted for "average" adults rather than predominantly minimum-wage adults. Since the average adult would be more productive than the typical minimum wage adult, the number of teenagers needed to substitute for one adult is overstated by this assumption. The ratio of teenage gains to adult losses resulting from this substitution is therefore also likely to be overstated. See Brown (1981).

[34] The problem here is that, in aggregating workers into youth and adult, the studies implicitly assume that, for example, minimum wage adults and higher-wage adults are equally substitutable with minimum wage teenagers. While it seems likely that minimum wage adults are much better substitutes for minimum wage teenagers than are higher-paid adults, there is no direct evidence on this subject. See Brown (1981).

Thus, despite the obvious importance of an accurate estimate of the effects of a youth differential, such an estimate remains elusive. A reasonable prediction might be that teenage employment would increase by 1.5 to 3 percent in response to a 15 percent differential, and by 2.5 to 5 percent in response to a 25 percent differential,[11] but there is substantial uncertainty that the true effect would be within that range. Adult employment would probably be reduced. Such a reduction could be significant compared to the teenage employment gain, but it is very unlikely that adult employment reductions would be as large as teenage employment gains.

In evaluating whether the tradeoff of teenage for adult jobs is a desirable one, it is important to know something about who gains and who loses. Will the additional teenage jobs go to disadvantaged inner-city youth or merely provide more regular employment for teenagers with no real employment problem? How will the adult job losses be distributed? Unfortunately, available data do not allow us to make a firm judgment on this matter.

One might expect that the teenage job gains from a youth differential would go to those teenagers whose value to a potential employer is just below the current minimum wage. Judging from observed wage distributions, this might suggest that minority youth and youth from disadvantaged families would benefit disproportionately since they are more likely to receive low wages. This would also lead us to expect, however, that black teenagers would be disproportionately affected by past increases in the minimum wage and, as noted earlier, the evidence on this score is not very strong. Moreover, experience with the Targeted Jobs Tax Credit (discussed below) makes less plausible the conjecture that disadvantaged youth would benefit disproportionately from a youth differential.

The adult job losses would be concentrated among those who are most substitutable with low-wage teenagers. This suggests that, in general, low-wage adults would be more vulnerable than high-wage adults. (The demographic characteristics of adults employed at low wages are discussed in Chapter 1.) Whether the demographic characteristics of low-wage job losers would differ significantly from those of currently employed low-wage workers is uncertain.

Even if the effect of a youth differential on teenage employment were known, its effect on teenage unemployment would still be uncertain. As noted earlier, teenage employment increases do not automatically translate into one-for-one reductions in teenage unemployment. Most studies report that a lower minimum wage would increase teenage employment and teenage labor force participation, i.e., more would begin looking for work. More teenagers looking for work and not finding it would limit the unemployment reduction that an increase in employment would otherwise bring about. If responses to a youth differential are similar, the employment increases which it allows would not lead to comparable reductions in teenage unemployment.

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[11] This assumes that sufficient numbers of teenagers would work for these lower wages, which seems likely, but would be less certain if the differential were 25 percent (Brown 1981).

Senator **Kennedy**. It mentions a cost of some 50,000 to 150,000 adult jobs. And I am just wondering if you have reached the same conclusion. I believe that you mentioned it in your presentation, but I would like you to elaborate on it.

Representative **Dixon**. Senator Kennedy, it makes sense to me that minimum wage jobs and subminimum wage jobs are jobs in our society at the lowest level. If you have an opportunity to hire a new person and you have the opportunity to pay them $3.30 an hour or $2.50 an hour or some number short of $3.35, you obviously will hire someone for the lesser amount. It would just be good practical business for you.

And so the provision of the bill that addresses not laying off anyone is really not relevant to what will happen in our society, and that is that young adults who would be making a minimum wage will get bumped for someone that you can pay a lesser amount of money to.

So I do think very strongly that it will displace people. We can't count them at the present time because they're not on the roll; they are people prospectively coming on the roll.

Senator **Kennedy**. That is the point I would like to address. The point is made that it won't really replace those who have existing jobs. Your reference in the latter part of your answer I think is commonsense. And that is that we should be talking not only of what those that have the jobs today that may lose them—then you can say, "Well, there's enforcement mechanisms," and I think you make reference to the reduced numbers of personnel for enforcement, the reduced numbers of cases that are brought, the backlog that exists. I mean, that just ain't so.

And then second is the prospective employment market. And that is, I think as you mentioned yourself, who will an employer hire prospectively? And that's going to, I think, have a heavy impact in terms of the number of adult workers.

As I remember, and I haven't got the figures here, it's about 60 or 70 percent of those that hold minimum wage jobs are heads of households.

Representative **Dixon**. Absolutely. You're correct. Right.

Senator **Kennedy**. I mean maybe I should be corrected on that, but I believe that's about it. To tell you the truth, I think it's closer to 70 than 60. But it's within that range.

But these are heads of households, and you.ve got just the general statistics on the numbers of heads of households with children. And to try and—for them to meet their responsibilities to their families, and then to have a new kind of threat in terms of future employment problems I think puts an extraordinary burden on them.

Representative **Dixon**. One step further, Senator Kennedy. The premise of this, to me suggests that either, one, that there are a lot of jobs out there not being filled because $3.30 is too much to pay and if they could reduce it to $2.50, they would fill these jobs—something I don't believe. Or certainly second, that business is going to become philanthropic and hire people that they don't need— something I don't believe.

So the whole premise that business is operating understaffed because of the minimum wage I think is totally incorrect. And I think it's unfair to assume that large numbers of employers are just going to give away $2.50 an hour because the opportunity is there.

Senator KENNEDY. The position that you have supported, and it's one that I have supported, recognizes that we should be dealing not only with the particular issue of summer employment—and in this there are the provisions of not in excess of 40 hours a week—but also there are provisions in linking continuing the employment after the summer for those that are enrolled in school at a reduced number of hours. I think it's not more than 25 hours a week.

And I think that the—and I am just wondering whether you agree with me—that it's been those programs which have provided a continuity of employment during the time of the summer and also continuing through the educational experience that really offer the best opportunity as well for future employment.

I think the various studies that have been done about programs, the pilot programs which have been developed which include that concept, by and large, really, people have to read both what the Secretary stated and what the report that I put in the record say, that by and large have been the most effective in getting people off the unemployment rolls.

I am just wondering what your own experience is on this issue.

Representative DIXON. Well, certainly, in my own community, the problem of unemployment is addressed effectively when you have an incentive to stay in school and an incentive for education and a job that is going to provide some educational training. And this bill certainly does not meet that, this concept, and as I testified, that is the reason that we prefer the Humphrey-Hawkins bill, because it does provide an incentive to stay in school and it does offer a job-training program, something that at $2.50 or some subminimum wage certainly is not going to offer any real significant job-training program.

Senator KENNEDY. May I just say that I supported the Humphrey-Hawkins bill, but the one we're talking now over here is Kennedy-Hawkins, over in the House is Hawkins-Kennedy. [Laughter.]

Senator KENNEDY. But I appreciate it. It makes no difference, if we can get it achieved and get it accomplished and get it done.

The CHAIRMAN. Senator Denton.

Senator KENNEDY. I appreciate it. Thank you very much.

The CHAIRMAN. Senator Denton.

Senator DENTON. Thank you, Mr. Chairman.

Congressman Dixon, I have been interested in this field for quite some time, and I have a friend down in Alabama who has been helping me with it. His name is Johnny Ford. He is the mayor of Tuskegee and he has been serving until recently as chairman of the Black Mayors Conference. I am intrigued by the difference in positions taken by the Congressional Black Caucus and that of the National Conference of Black Mayors.

The Black Mayors Conference has endorsed the bill. To what do you attribute the difference in position?

Representative DIXON. Senator Denton, I, too, share Mayor Ford's friendship going back a long way in politics.

I think that the basic difference is that the 21 members of the Congressional Black Caucus are concerned with legislating and addressing the issue of unemployment for those people in our society who won the training and education. I cannot speculate today, certainly because I know that the Mayors Conference and mayors will testify. But we are viewing this from different roles in our society. I don't think that the Mayors Conference anticipates any more Federal money for summer jobs programs, and I would speculate that if I had x number of dollars to go around and a political problem of how to employ as many people as possible that I would be for, maybe under certain circumstances, spreading the money further. And certainly, this proposal allows me to spread the money further.

What the caucus is saying is that the youth of our society are in some cases being held hostage and that we are spreading the money further without seriously addressing the problem of employment and keeping young people in educational institutions.

Senator DENTON. Well, I agree with you that we must address the problem of discrepancies in education or in job training which may be racially induced somehow. I totally agree with that. But that does not alter the fact that the minimum wage itself is discriminating; it discriminates against those who do not possess skills or experience; I agree with you that it does discriminate against those who are not educated or trained.

But for the moment, that is the fact. There are many who are not educated or trained. It seems to me the question is whether or not in the meantime, we should do something to aleviate teenage unemployment while we await the longer term results of improvements in our educational and job training programs. I subscribe to some fairly neo-liberal ideas about the need to anticipate giant job dislocations in this country, such as anticipating the production of a lower percentage of steel, for example. Its possible that we should try to do something about that in the way of planning and coordination ahead of time when it's inevitable, rather than wait until workers lose a job through no fault of their own and go on food stamps and have a traumatic transition. I think we can avoid traumatic transitions that are wasteful to the country's productivity.

So I am not a radical on one side or the other on this issue, but I don't understand why you don't want to address the in-the-meantime phase of this. While young people do lack something which qualifies them for minimum wage jobs, why not give them less than minimum wage jobs? I was in such a condition at one time. I can remember not only my first paycheck, but what it was for the week: $2.67. My grandfather had offered to match it, and I can remember the name of the drugstore for which I was drug hopping.

But that was a moment of pride for me. [Laughter.]

Drugstore hopping. [Laughter.]

Soda hopping. [Laughter.]

Don't worry about that. Now I have the Drug Enforcement Administration under my jursidiction, too. [Laughter.]

And I'd get the change wrong a lot, I have to admit that.

But at least I was working and it did give me some training. You say it gives no training. But I am looking at areas around the country in which we have—and I would ask you to address this—we have fairly high unemployment rates in some States where we have a high percentage of so-called discouraged workers. And I have no argument with that. What worries me is that in the study of our immigration problems we find a number of immigrants illegally coming into the country and immediately finding jobs at minimum wage in those areas. It seems to me that those jobs in many parts of our country are either going to go to the illegal immigrants or to teenagers, because the illegal immigrants often take jobs at less than minimum wage. I really don't see the tie-in between displacement of elderly workers and the teenagers. There are too many jobs that teenagers are willing to do that the elderly are not motivated to do and therefore, they will not be displaced.

Representative DIXON. Well, I think in part I addressed the answer to your question when I had the dialog with Senator Kennedy. It just makes good common sense that if I am operating a restaurant and during a 3- or 4-month period I have the opportunity to hire someone for $3.35 an hour versus something less, that I am going to take the opportunity to hire someone for that lesser amount. That, in and of itself, displaces a potential worker, normally someone over 20 or 21 years old, that is head of household or at least sharing with the husband or wife, and is being displaced for that period of time. There is a strong potential for that in the ordinary operation of business.

Senator DENTON. Well, there is an honest disagreement. I believe that there is more good to be obtained for trying this approach. If there appears to be justification for what you are saying, then we can change it. But we can't continue to play a losing game. We have got a lot of kids on the street. We have family problems and social problems resulting from that.

I work very hard for and get awards for what I do on behalf of the elderly. But I can't see the threat that this approach is posing. So I say we have an honest disagreement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Thank you so much, Congressman Dixon, for taking time out of what we know is a very busy schedule. We appreciate your coming and appreciate having your testimony this afternoon.

Representative DIXON. Thank you for the opportunity.

The CHAIRMAN. Thank you.

It's my pleasure now to welcome Mayor Walter Tucker of Compton, CA, who is currently serving on the National Board of the National Conference of Black Mayors, and Mayor William H. Hudnut of Indianapolis, IN. He has served previously as a Member of Congress, and since his election as Indianapolis mayor has served as president of the National League of Cities.

We sincerely appreciate these two leaders taking time to be with us today. We are delighted to have you here at the hearing, and we look forward to taking your testimony.

Mayor Tucker, I understand that Mayor Hudnut does have a plane to catch. Would it be possible that we let him go first so he can catch his plane, and then finish with you?

Mayor TUCKER. Certainly, Mr. Chairman.

The CHAIRMAN. Mayor Hudnut, we will turn to you first so you may catch your plane.

STATEMENT OF HON. WILLIAM H. HUDNUT III, MAYOR OF INDIANAPOLIS, IN

Mayor HUDNUT. Thank you very much, Mr. Chairman. Mr. Chairman and members of the committee, we appreciate very much the opportunity to testify. I would like to submit two items for the record: first, a copy of my statement; and second, a copy of a resolution that was adopted in support of the Youth Employment Opportunity Wage Act of 1984 by the National Conference of Republican Mayors, of which I am a member.

There is no point in reading the testimony, sir. The reasons for supporting this proposal have been outlined at great length with some degree of cogency, and I would like to associate myself with the remarks of those who are in favor of enactment of the Youth Employment Opportunity Wage.

If it is true that it would create 400,000 jobs, if it is true that there are strong sanctions in the legislation against employers who might demote or terminate people, if it is true that this is an experimental pilot project for the next three summers, then it seems to me that it's worth supporting. It seems to me that there is more good in it than harm.

Very infrequently in Government do we have matters that can be crystallized in terms of pure good or pure bad. What we have to do is to try to discover where the preponderance of right lies.

Out in my city of Indianapolis, as I was thinking about this proposal, I was contemplating the fact that, to borrow Senator Quayle's phrase from earlier in the testimony, there are young people who are slipping through the cracks, young people who, for one reason or another, cannot find a job, cannot be employed. It seems to me that this is worth trying. And I think it's an important initiative and one that I certainly as a mayor who is interested in jobs for the people in his city, support. A job is a job is a job.

I would like to draw the committee's attention to one idea that I had and which you have already alluded to, Mr. Chairman. One way to help stretch the paychecks would be for the Congress, if this legislation is enacted, to approve an automatic exemption from Federal withholding taxes for the youngsters in the 16- to 20-year-old age bracket who accept a job for less than the minimum wage.

The majority of workers paid the youth wage from May to September are not likely to make more than the $2,300 annual minimum earnings required by the IRS to begin to pay income tax. There is a lot of unnecessary paperwork as a consequence that might be entailed, and it would seem to me that it would be much simpler and easier to handle if these youngsters receiving the youth wage, assuming they did not reach the minimum amount of taxable income, were granted an automatic exemption from Federal income tax withholding.

So I would like to suggest that proposal for your consideration.

That is about all I have to say. The time is short; there are a lot of people waiting to testify. Thank you for the opportunity.

[The prepared statement of Mayor Hudnut and the resolution referred to follows:]

STATEMENT OF WILLIAM H. HUDNUT
MAYOR OF INDIANAPOLIS, INDIANA
ON BEHALF OF THE NATIONAL CONFERENCE OF REPUBLICAN
MAYORS AND MUNICIPAL ELECTED OFFICIALS
BEFORE THE COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

June 18, 1984

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to join with other mayors in lending support for the Proposed Youth Employment Opportunity Wage Act of 1984.

The economic vitality of Indianapolis has been the subject of many positive newspaper and magazine stories recently in the national and regional news media. This has been the sort of publicity spotlight that every proud Mayor hopes will shine on his or her City because it shows the success of a cooperative community spirit and hard work to save jobs, to promote new employment opportunities and to provide the amenities of a quality lifestyle.

For several years, Congress and President Reagan have also worked successfully to cooperatively rebuild the nation's Federally funded job training programs. The rather controversial Comprehensive Employment Training Act has been replaced with the more effective Job Training Partnership

Act co-sponsored by two members of this Committee, Senator Edward M. Kennedy of Massachusetts and Senator Dan Quayle of Indiana. Locally and nationally, these have been bi-partisan efforts to find meaningful work for our young people.

In Indianapolis, we have made successful use of funds from the Job Training Partnership Act in a program we call Partners 2000. This program is a wedding of public agencies and private businesses. The goal was to identify summer jobs for 2000 disadvantaged teenagers and then to match the workers to the jobs. The program also gives young people, who are taking their first job, some counseling and job interviewing skills to prepare them for the day they face the post-high school competition for a job. I am pleased to announce that the goal is being surpassed. During the past week, more than 2,600 Indianapolis youngsters are starting summer jobs pledged to Partners 2000.

While the results of Partners 2000 are commendable, a critically important pool of other young people in our community remains unemployed this summer and has little or no hope of finding a willing employer. The personal circumstances of these unemployed youths vary. Most of them are between 16 and 20 years old and they do not meet the financial or educational requirements of the Job Training Partnership Act. Many are not attending school. That means they are excluded from the nationwide job creation and training program funded with more than $3.8 billion.

The national teenage unemployment rate is reported to average 19 percent and to be an astounding 48 percent among minority youths. In Indiana, the youth unemployment rate is near the national average at 20.8 percent while the jobless rate for minority youths is also estimated to be near the national figure. Even with the economic recovery of the nation and state, plus a drop in the overall unemployment rate, youth unemployment has continued to remain high. One key reason for that continued high rate is that the national minimum wage has gone up, but some youths lack the job skills, reputations, education or social maturity to compete with older, experienced workers. These youths become unemployable because they are priced out of the job market.

While some critics may believe we live in the worst of economic times, these are actually the best of times to support the Youth Employment Opportunity Act pending before this committee. The bill offers a chance to more fully utilize our potential workforce, our human capital. An estimated one out of three teenagers is unable to find a job this summer, so we must quickly search for all alternatives and options to get them gainfully employed.

There is other legislation pending in Congress for direct job training. However, the nation already has a law, the Job Training Partnership Act, funded with billions of Federal dollars and designed to assit a similar specific category of youths. Because of the funding limits of these measures, the number of young people which can be employed is finite. In contrast, this Youth Wage Act proposal would seem to offer hope of a job to another segment of our society. Since direct government funding is not involved, the number of potential jobs would be less constrained. Further, proposals that carry big pricetags for taxpayers should get a wary eye if they would deepen the wounds in our economy caused by the Federal deficit. One of the best features of the Youth Wage Act is that it puts no burden on the Federal buck.

I attended a meeting in the Oval Office May 17 and then the announcement in the Rose Garden of the Youth Wage proposal by President Reagan. The very persuasive case for this legislation that the President made that day focused on the 400,000 new job opportunities that would be created for youths during the summer months. With the prospect of so many opportunities nationwide, I would expect thousands of sorely needed summer jobs could be possible in my home state and City.

The bill would not prevent skilled workers from getting the higher wages they are worth. Penalties provided in the bill include stiff fines of $10,000 and prison terms for employers attempting to "fire the father and hire the son" to get cheaper labor.

Even though the bill would permit employers to pay a young person younger than 20 years old at the rate of 75 percent of the current minimum wage for the summer, that pay rate is still negotiable between the employers and employees.

Workers on the Youth Wage scale, like all of us, need every penny possible in their weekly takehome pay. One way to help stretch those paychecks may be for Congress to approve an automatic exemption from Federal withholding taxes for anyone 16 to 20 years old, who accepts a job for less than the minimum wage. The majority of workers paid the Youth Wage from May to September are not likely to make more than the $2,300 annual minimum earnings required by the Internal Revenue Service to begin to pay income tax. As a result, employers have an unnecessary paperwork expense to make the reductions from each paycheck. And the government also wastes money to issue a refund check.

A procedure is already available for such a withholding tax exemption, but it is cumbersome and not automatic. An employee must complete a Form W-4 to try to claim the exemption by affirming that no tax was paid the previous year, so no withholding deductions should be made this year. Most employers are very skeptical of accepting such a claim from an employee because the IRS eventually disallows many of the requests and the employer is left in the middle of a dispute between the government and a temporary employee. If the exemption from Federal income tax withholding was automatic for all Youth Wage earners, the element of doubt would be removed for the employers, employees and the IRS.

The Youth Wage proposal offers flexibility in the methods for creating job opportunities. If passed, the Youth Wage could be complementary to existing job training programs. It is not necessary to be opposed to one to also favor the others. Why can't both ideas, offered in the spirit of finding jobs for our nation's sons and daughters, be allowed a share of the spotlight, a chance for success?

Before finishing, let me also submit for the record a resolution from the National Conference of Republican Mayors, of which I am a member, supporting enactment of this legislation. Theirs is a wide constituency, and your consideration of their viewpoint will be appreciated.

Thank you.

National Conference of Republican Mayors

Resolution in Support of the Youth Employment Opportunity Wage

WHEREAS despite sustained economic growth that has created 5 million new jobs in the last 18 months, lowered the unemployment rate to 7.5% and raised national employment to over 100 million--the highest level in the history of our nation--youth unemployment in April 1984 was 19% with black youth unemployment at a tragic 43%; and

WHEREAS many studies have shown that with every 10% increase in the minimum wage there is a 1% - 5% decrease in teenage employment and

WHEREAS recent studies by the National Bureau of Economic Research estimate that each year of work experience for youth is associated with a 10-20% increase in wages that appears to be permanent and

WHEREAS lowering the minimum wage would allow employers to create real jobs and new summer youth employment opportunities which do not exist at $3.35/hr.--without increased paperwork or addition to the federal deficit.

NOW THEREFORE BE IT RESOLVED that the National Conference of Republican Mayors supports President Reagan's Youth Employment Opportunity Wage Act of 1984 which allows employers to hire youth at $2.50 per hour between May 1st and September 30th of each year until September 30, 1987; which provides sanctions sufficient to discourage employers from discharge, transfer or demotion of workers not eligible to earn the Youth Employment Opportunity Wage; which does not require special paperwork, increased government bureauacracy or expenditures and which, most importantly, will allow the private sector to provide 400,000 new summer jobs for our nation's youth; and

BE IT FURTHER RESOLVED that each member of the National Conference of Republican Mayors pledges to write his/her members of the Senate and House of Representatives urging co-sponsorship of the Youth Employment Opportunity Wage Act of 1984.

6/17/84

The Chairman. Well, thank you so much, Mayor. We appreciate that.

What time do you have to catch your plane?

Mayor Hudnut. No matter. I can catch another one if I miss the one I was on. I used to do that all the time when I was here.

The Chairman. I thought there was a rush to do that.

If we can, let's go to you, Mayor Tucker. We really appreciate your deference to Mayor Hudnut. We are looking forward to hearing your testimony.

STATEMENT OF HON. WALTER TUCKER, MAYOR OF COMPTON, AND MEMBER, NATIONAL BOARD OF THE NATIONAL CONFERENCE OF BLACK MAYORS, ACCOMPANIED BY MICHELLE KOUROUMA, EXECUTIVE DIRECTOR, NATIONAL CONFERENCE OF BLACK MAYORS, AND SAM TUCKER, ASSISTANT DIRECTOR, NATIONAL CONFERENCE OF BLACK MAYORS

Mayor Tucker. Senator Hatch, chairman, and members of the committee, my name is Walter Tucker, mayor of Compton, CA, and a member of the National Conference of Black Mayors, Inc., board of directors. Accompanying me today is Ms. Michelle Kourouma, executive director of the National Conference; and also, Sam Tucker, assistant director.

I was asked to deliver this statement to you in the absence of the organization's president, Mayor Marion Barry, and also the assistant vice president, Mayor Thirman Milner, who are both at the U.S. Conference of Mayors in Philadelphia.

At the National Conference of Black Mayors' 10th meeting, their national annual meeting in Missouri, the mayors grappled with the often-ignored, ever-escalating problem of youth unemployment, which in recent years has reached disgraceful proportions: approximately 20 percent among teenagers, and in general in excess of that, 50 percent among black youth.

Previously, federally funded youth employment programs have been replaced by Job Training Partnership Act and targeted-jobs tax credits as the primary Federal effort to mitigate unemployment in disadvantaged groups in the labor force.

In spite of these efforts, teenage unemployment remains high. There is little hope that this then will change in the absence of Federal intervention. As mayors being in the trenches, so to speak, we are confronted almost daily with young people in and out of our city halls pleading for jobs.

Young people want to work, but have not been given the opportunity. Black mayors are taking, by necessity, a harder, more astute position in capturing economic gains for our constituents, have assumed an active stance on the issues of employment policy, given the recent adversity of some Federal programs and the apparent dearth of creative ideas from any sector of youth unemployment.

It is the feeling of many mayors that the city officials must at some point face the fact that youth unemployment affects the viability of central city areas and makes it increasingly difficult to governance.

This report is going to be given to you, so in the interest of time I am not going to read all this. I would just like to let you know, as a gut feeling, as a young fellow coming from Oklahoma, a cotton picker years ago, and going to New York City—and of course, cotton picking is seasonal by some standards for some people; it used to be. And I went to New York City, and the only job I could get that summer, expecting to continue to go to college, was busing dishes. And of course, for some people that might be seasonal. And that was the greatest incentive for me to become a dentist today.

In other words, if I hadn't started out with the idea of the work ethic and the hard work—and in those days, of course, they didn't have labor unions for busing dishes, they didn't have labor unions for waiting tables I imagine if they had, I would still be a table waiter, because I never had tasted a good steak in my life, coming from Oklahoma. So as a table waiter you can get a nice steak every now and then.

But I went ahead in school because I saw that the money that I was getting wasn't enough, wasn't sufficient. I really feel that if kids get a chance to work at anything—we need to put America back to work—that's the greatest incentive in the world for them to say, "I'm worth more than this. I need to go back to school."

And this is why I have supported this for the National Conference of Black Mayors. I feel that we as mayors in some of these towns of 30,000 and more are right there where we see the crime, we see the profession of drug dropping, as he might say—[Laughter.] But it's a different type profession nowadays. It's really something that affects us. We see the crime. We see the drugs. We see the unemployment. We see the lack of recreation. We see the lack of funds. We see the lack of retail sales. We see all the problems that affect cities. And this is why the mayors are supporting this, because we are right there where it hurts us, and we need some immediate help.

And I happen to have had started a dental office in Watts with some brothers of mine in the medical profession, too, before the Watts riots. And I saw what happened right in the Watts riots. And we want to prevent things. Being in the fields of medicine and dentistry, we want to prevent things before they happen.

And if there is any good that comes out of this as an experimental program, I am for it 100 percent. I don't care what part it is. You know, as the mayor in my city, it's bipartisan or nonpartisan, whatever you want to call it. And so I am for it, and I am for trying it, especially on an experimental basis. I don't see where this would hurt anybody. If a fellow thinks that he's worth more than $2.50 an hour, he's not going to take the job.

And as a professional man being in business, and as a politician, too, I would much rather hire somebody for much more. I wouldn't fire somebody just to pay them less, knowing that my business hinges on somebody that knows what they're doing. A lot of these jobs don't require mental giants; they don't require somebody that's worth more than that.

So I am for it 100 percent. I am for giving kids a chance to work so that they will learn the work ethic. That's what America is all about.

[The prepared statement fo Mayor Tucker follows:]

TESTIMONY OF NATIONAL CONFERENCE OF BLACK MAYORS, INC.
Presented by
The Honorable Walter Tucker
Mayor of Compton, California
Monday, June 18, 1984

Senate Committee on LABOR AND HUMAN RESOURCES

Senator Hatch and other members of the Committee, I am Mayor Walter Tucker of Compton, California and a member of the National Conference of Black Mayors, Inc.'s (NCBM) Board of Directors. Accompanying me is Michelle Kourouma, Executive Director. I was asked to deliver this statement to you in the absence of the organization's president, Mayor Marion Barry and 1st Vice President Mayor Thirman Milner who are both assuming leadership roles in the U.S. Conference of Mayors' annual proceedings in Philadelphia, Pennsylvania.

At the National Conference of Black Mayors, Inc.'s 10th Annual Convention in St. Louis, Missouri, the mayors grappled with the often ignored, ever-escalating problem of youth unemployment which, in recent years, has reached disgraceful rates--approximately 20% among teenagers, in general--in excess of 50% among black youth.

These youth jobless rates, several times the national average, have been analyzed, researched and debated by many groups; however, it is clear that:

A. There is a substantial fraction of the youth population that carries a heavy burden due to unemployment;

B. There is a widening racial differential in unemployment experience among the teenage population, part of which is caused by direct race discrimination in the labor market;

C. Teenage unemployment has negative long-run effects on future employability and productivity; and

D. Urban areas, especially the central cities, exhibit youth employment problems to a significantly greater degree than does the rest of the country.

Previously federally funded youth employment programs have been replaced by the Job Training Partnership Act and the Targeted Jobs Tax Credit as the primary federal effort to mitigate unemployment for disadvantaged groups in the labor force. In spite of these efforts, teenage unemployment remains high and there is little hope that this trend will change in the absence of federal intervention.

As mayors, being in the trenches, so to speak, we are confronted almost daily with young people in and out of our city halls pleading for jobs. Young people want to work, but have not been given an opportunity.

Black mayors in taking, by necessity, a harder, more astute position in capturing economic gains for our constituents, have assumed an active stance on the issue of employment policy, given the recent adverse shift in federal programs, and the apparent dearth of creative ideas from any sector on youth unemployment. It is the feeling of many mayors that city officials must at some point face the fact that youth unemployment affects the viability of central city areas and makes it increasingly difficult to govern.

The mayors' support of the Youth Employment Opportunity Wage is the result of the practical realities of maintaining viable urban areas which are increasingly impacted by the poverty experienced by minorities, particularly teenagers.

It is within this context that the mayors support a highly restricted subminimum wage for youth based on the following four areas of emphasis:

A. The subminimum wage, seventy-five percent of the full minimum wage, will apply to those people sixteen to nineteen years of age from May 1 to September 30;

B. The subminimum wage program as envisioned by NCBM will be implemented as a short-term demonstration program lasting three years--long enough to provide information about the critical issues of adult workers displacement, on-the-job training opportunities, youth employment effects, and income distribution effects, yet short enough to lessen political obstacles in implementation of legislation;

C. The program must have a strong, effective monitoring and enforcement component to minimize displacement of incumbent adult workers, with civil and/or criminal penalties; and

D. There ideally must be increased linkage with the Targeted Jobs Tax Credit and the Jobs Training Partnership Act, with restoration of any funding cuts to summer youth employment programs ($87 million).

It is projected that such a test program would generate 400,000 jobs for youth in the summer.

Even with assurances, there is still much skepticism by many black mayors that any relaxing of the standard wage floor will displace adult workers; so close monitoring of the summer test program is imperative and is key to the program's success or failure. It is also recognized that the Youth Employment Opportunity Wage is not the sole solution to youth unemployment, but rather one of many approaches which deserves exploration. Let me make myself clear in stressing that the mayors' support of this test does not imply that we support a subminimum wage for adult workers or for teenagers except during the summer months. In fact, we believe that a minimum wage is necessary and in these days of escalating costs is not high enough. The mayors' primary concern is to address youth unemployment and to highlight it as a national crisis that must be treated as a priority so that we can provide some immediate relief to the millions of young people seeking employment this summer.

With this goal in mind, we urge your support of the Youth Employment Opportunity Wage program.

The **Chairman**. Well, Mayor, that was a very eloquent statement.

Both of you have made eloquent statements here today.

I have to admit I worked as a janitor in order to get through school. You worked as a busboy. A lot of those jobs no longer exist today: car washers, janitors, busboys, movie ushers, bag boys and girls and so forth. A lot of them don't exist today because employers just aren't going to pay to train kids that don't have any training or background or education, many of whom are disadvantaged. This bill is trying to get them that first worklife experience, even though it may not be what they ultimately want to be.

I can tell you this, I was very, very proud to be a janitor when I was, because I was working my own way through school. And I had a young black man come to me not too long ago, and he said, "Senator," he said, "just give me a job." He said, "I don't care if you pay me. You give me a job and you help me to know how to do that job," he said, "I know that if I can learn how to do that job and I can get some training," he said, "I can go out and I can make my way from that point on."

He said, "But I can't even get a chance." I think that's basically what you are telling me, too, isn't it?

Mayor **Tucker**. Right.

The **Chairman**. So if I understand both of you mayors, you are saying, literally, how are we ever going to know what to do unless we try this approach? We've tried enough of these public sector jobs that are make-work jobs; I guess you can call them jobs but they're not teaching people how to work in the private sector.

You had a comment, Mayor Hudnut?

Mayor **Hudnut**. I agree with you, Mr. Chairman. I would just say that I think that as we seek to solve problems of unemployment in our communities, there are a number of different programs that are useful. It's important for us to have as many options as possible because they fit into different categories.

It seems to me that this is an opportunity to provide employment opportunities for young people at lower than the minimum wage on an experimental basis. This proposal would help us to put to work some people who are now not working. And from where we see it out there in the boonies, at the other end of the pipeline from where it starts in Washington, the bottom line is the opportunities that we have to give people opportunities to work. And from where we see it, the more the better.

The **Chairman**. Well, that's great. I am pleased that the Job Training Partnership Act programs are up and running in your cities, and I am particularly happy to have Senator Quayle as the principal sponsor of that bill here with us today. And all three of us were strong supporters of the JTPA. And as you know, we're strong supporters to this day, and we will be anxious to learn how these programs are being carried out.

As you know, that act was enacted in order to permit Indianapolis, IN, Compton, CA, and other cities throughout this country to have equally effective but different types of programs. Now, the bill we are discussing today could be a complement to Federal, State, and local efforts under the JTPA, which holds out a lot of hope.

And by the way, under Senator Quayle's bill, 70 percent of that money goes for actual job training, where under the old CETA programs only 18 percent of the funds went for training. So that's something to think about, too.

Now, do you think, in light of this, that an employer's ability to offer a youth opportunity wage can enhance the JTPA opportunities and programs and can be successfully coordinated with them? Let's start with you first, Mayor Tucker.

Mayor TUCKER. Yes, by all means, any programs that we have to put the mass of the youth that are unemployed to work, I am for it 100 percent, as long as it doesn't displace adults. And this is an experimental thing, and it's seasonal, so this is why I am for it more so.

The CHAIRMAN. And we put those protections in this bill——

Mayor TUCKER. Right.

The CHAIRMAN [continuing]. Against displacement of adult workers.

Mayor HUDNUT. I think it would be an important corollary to the JTPA effort. In our city, we have put over 800 people to work and mainstreamed them in to the private sector as a result of the work of the Indianapolis Alliance for Jobs under JTPA. We think it's infinitely superior to the old CETA system, for many reasons, one of which is that it creates, in my opinion, a very creative spirit of cooperation between the public and the private sectors, and, public sector dollars leverage the private sector commitment, which I think is quite significant.

In terms of the summer job program this summer in Indianapolis, we have a Partners 2,000 Program that was aiming at 2,000 jobs, including 1,000 in the public sector and 1,000 in the private sector. Now we're up to about 2,600 jobs.

It can be done if Government and the public sector work with the for-profit part of the private sector as well as the not-for-profit part. And I think that what you are suggesting is that this Youth Employment Opportunity Wage would be a supplement to JTPA. I think it's a valid assumption, that it would be worth trying.

The CHAIRMAN. Well, thank you. I really appreciate both of your statements. I think we should quit being so negative about this and get the special interests out of it and do what is right for these kids. And if this program will help our kids in this country who don't have a chance today, by gosh, we ought to try it. A trial period until 1987 is all we're asking for. If it doesn't work, then we'll try something else. But we will be trying other things in addition anyway.

Mayor TUCKER. There are some categories that JTPA won't affect, so I see a lot of those people in my community that this would help.

Mayor HUDNUT. I don't think it's too late, either, Mr. Chairman, for this summer. I recollect—I can't remember the real specifics—but when I was in the Congress, we had a TV blackout bill relative to football games, and that thing whizzed through Congress in nothing flat. In 48 hours, it was out of the House and over here. The only person voting against it was Jack Kemp, and it just moved right through. [Laughter.]

And it can be done. And I would hope that it's not too late to get it done for this summer.

The **Chairman**. Well, thank you. I hope you will forgive me. I have to move to another appointment, but Senator Denton has kindly agreed to chair portion of the this hearing.

And we will turn to you now, Senator Denton. I appreciate your doing this for me.

Thank you for being here.

Mayor **Tucker**. Thank you.

Mayor **Hudnut**. Thank you.

Senator **Quayle**. I am going to just indulge the Chair just one moment to make a special welcome to my industrious, hard-working mayor from Indianapolis. I am delighted to have you here and am proud of what you have done in our State capital. Your testimony is appreciated.

I have one question I would like both of you to address. That is, who do you think would be the major beneficiary of this legislation? The Secretary of Labor indicated that he felt it would probably be more to the people in between school; the ones that are in school but would be out during the summer and go back to school.

Do you agree that most of the persons hired pursuant to the proposed program would be kids who are on summer vacation? What do you think should be done to address the problems of drop-out youth and hard-to-employ teenagers?

Mayor **Hudnut**. Well, Senator Quayle, I would like to see it broader than that. That may very well be the intent of the Department of Labor and the administration. I don't disagree with it. But when I think about the problems in my city, which has roughly the same percentages of youth unemployment and minority youth unemployment that the Nation has, it seems to me as though there are a lot of kids who have, if you want to put it this way, dropped out and won't be going back to school. And if they could get a foot on the bottom rung of the private enterprise ladder, and if they could begin to climb up by getting on there for $2.50 an hour, whereas they might not be employed at $3.35, it seems to me that it's worth trying.

And I am worried about those kids, to use your phrase which I used while you were out of the room, who are slipping through the cracks. I refer to the kid standing on the corner smoking pot, the kid who's going to buy booze because he hasn't got anything else to do, the kid hanging around the swimming pools and the park department properties, who have no future at all.

If it would be possible for private employers to come up with some new job opportunities for these kids and give them something that would be very minimal and very entry level, it seems to me that it would be worth doing. And I would hope that this kind of a bill, if it were enacted, would help them regardless of whether they're going back to school or not.

Senator **Quayle**. OK. I just have one followup question and then I am going to yield to the chairman. If we are going to target this program to hard-to-employ teenagers—and I believe we ought to give serious thought to this—then shouldn't we concentrate on 16-, 17-, and 18-year-olds, rather than 18- and even 19-year-olds? I say this because some 19-year-olds will have been in college a year or are, hopefully, working already. The 18-year-old would be preparing for college or for work on a full-time basis. Therefore, if we target the program for the 16- and 17-year-olds we can expand the program's effectiveness by limiting the target population to those kids most in need of wages and training.

I would like to just have each one of you comment on that, and then I will yield back to my chairman. I appreciate his indulgence.

Mayor **TUCKER**. I am sure you have statistics to show that probably more kids don't go to school or college than do. So if you're talking about numbers, then you would be effectuating the 16 to 17 and in that bracket.

Senator **QUAYLE**. Yes, but if you take a 19-year-old, that's a person who has either been in college for a year or two, or at least out of high school for a year or even 2 years. If you're going to target the hard to employ as Mayor Hudnut is suggesting, it is a 16- or 17-year-old kid who really needs a break in order to get his first job and get some training and some experience. It's the 16- or 17-year-old.

That's one of the concerns that I have with the legislation, although I endorse it conceptually.

Mayor Hudnut, you may want to add to that.

Mayor **HUDNUT**. Thank you. Senator Quayle. I think that your concern is very valid, and I would be happy if, in its wisdom, the Congress worked the age down to 16. But I think also to include people under the age of 20 is not a bad idea, because there are a lot of them out there maybe that have been unemployed for 2 years, that this could help. So just because they're 18, I wouldn't exclude them.

Senator **QUAYLE**. No, but I was thinking of a narrow definitional purpose, and on a program that's relatively narrow in scope, where our priorities in the Federal Government policy ought not be. Now, if we're going to expand it and have it universal and without encountering that situation, then I certainly agree.

Mayor **HUDNUT**. Well, if you're looking for that narrow focus, the 16- and 17-year-olds are a real problem.

Senator **QUAYLE**. I thank the Chair for his indulgence.

Senator **DENTON** [presiding]. Well, I was pleased to defer to you because of the important part you've played in related legislation, Senator Quayle. I, too, have a 4 o'clock meeting.

Senator **QUAYLE**. Oh. [Laughter.]

It's going to be a short hearing.

Senator **DENTON**. Well, I hope Senator Grassley is here.

I want to compliment both of you gentlemen on what I consider not only to have been eloquent statements, but also on your rather Solomon-like wisdom.

I don't think that we're going to have a perfect solution here, but I believe we're going to have, if it passes, a better situation than we have right now.

I will, Mayor Tucker, place the Black Mayors' supporting this legislation in this record, without objection, as I have previously placed it in the Congressional Record.

[Material supplied follows:]

RESOLUTION ADOPTED BY BOARD OF NATIONAL CONFERENCE OF BLACK MAYORS, ST. LOUIS, MO., APRIL 18, 1984

"The National Conference of Black Mayors (NCBM) believes that everyone should earn the minimum wage or above. However, given the tremendous problem of youth unemployment and particularly the problem of minority youth unemployment and given the persistence of the tragedy of youth unemployment, despite a history of programs designed to reduce youth unemployment, be resolved the NCBM supports an experimental summer youth opportunity wage program which increases youth employment opportunities which would not displace youth or adults currently employed at or above the minimum wage, and which provides sanctions sufficient to prevent abuse."

STATEMENT BY BOARD OF NATIONAL CONFERENCE OF BLACK MAYORS, APRIL 20, 1984

"In a dramatic opening session of the National Conference of Black Mayors, the urgent need for new national policies to reduce unemployment among minority youth led to the passage of a resolution in support of an experimental summer youth opportunity wage program.

"The resolution came in the face of strong arguments against relaxing any aspect of the standard wage floor.

"At issue was the Mayors' concern that any lessening of wage standards versus the compelling need to develop new solutions to get minority youth off the streets and into gainful employment be addressed immediately. Present estimates of black teenage unemployment range as high at 75 percent.

"A critical element in persuading the National Conference of Black Mayors' membership to go along with the ground-breaking resolution was the experimental character of the initiative, as well as the crisis in black teenage unemployment.

"The real-life experience of black mayors at the grass roots level of government - seeing more and more structurally unemployed minorities and especially young blacks - and less and less money for summer employment - dictated that there be some effort - some experiment to help now to solve the problem.

"The mayors hope that their leadership on the subject will lead to a constructive dialogue within the national and local black communities on how best to assure mainstream employment for black youth.

"The fear expressed by some mayors was that support for this youth measure might be misread or misconstrued to suggest weakened support for full adult employment at full wages. To meet these concerns, clear provisions were insisted upon to bar any adult worker displacement, under pain of civil and criminal penalties."

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Mayor HUDNUT. Mr. Chairman, could I interrupt for just a second——

Senator DENTON. Surely.

Mayor HUDNUT [continuing]. To clarify a point. Originally, Mayor Cook had been expected here, the mayor of East Orange, NJ. But the gentleman before you is the Honorable Walter Tucker, mayor of Compton.

Senator DENTON. All right, Mayor Tucker. I am sorry.

Mayor TUCKER. That's all right.

Mayor HUDNUT. Mayor Cook and Mayor Milner of Hartford were detained at the U.S. Conference of Mayors, where Mayor Tucker and I came from in order to be with you, thinking that our time would be better spent.

Senator DENTON. Well, I apologize, Mayor Tucker. And I will place the resolution in the record.

We know the horror stories about the young people turning to crime, drugs, and alcohol and other unproductive pursuits when they are unable to find constructive employment during the summer.

As mayors—I agree with you; you are closer to the problem; I haven't been in the Senate very long, but I am of the opinion that the people closer to the problem have more accurate perceptions than we up here do. From that perception, do you think that my speculation about the effects of youth unemployment on teenagers' behavior is exaggerated? Do you feel that there is a real improvement to be made there?

Mayor TUCKER. That's part of the problem. As the old saying goes, "An idle brain is the devil's workshop." And really, when you don't have anything to do, you can get into all sorts of—good kids from good families, fairly good, upstanding families, they have to have something to do. They have to get back to work and they have to have a sense of responsibility and earning. And they have to learn that anyway. That's the American way. And if by any means Congress can do this to guide them and help them, we appreciate all the help we can get.

Senator DENTON. Well, I must say I am supposed to be sort of a super-conservative, but I have said to black and white audiences in Alabama, Democratic and Republican—and there are not that many Republicans—I think the most conservative people in the terms that I am conservative are the black people who have had lives like yours, who have been exemplary in the way they have performed not only in the business sense or the professional sense but also in the family sense. The South is loaded with them. And I like to get them out front to be the spokesmen for this sort of thing, irrespective of party or race. And it's a weird political lineup we have in this country, with that being the case. [Laughter.]

Mr. Hudnut, you mentioned a concern, I think, about paperwork in this. Is there some specific remedy, or did I misunderstand you, that you would prefer?

Mayor HUDNUT. Sir, the suggestion that I was making was that if we wanted to eliminate what could be a paperwork problem for the employer, then we exempt from Federal income tax withholding all these youngsters who are receiving the youth wage. The reason for the suggestion is that the paper would not have to be filed in which an employee has to complete a W-4 form to try to claim the exemption by affirming that no tax was paid the previous year, so no withholding deductions should be made this year. And most employers are skeptical.

It's just a problem that I think could be eliminated, because the chances of these youngsters ever achieving that minimum taxable level of income are remote while they're on the youth wage.

So I suggested to the committee that it might want to consider shortcutting all that, the unnecessary paperwork, expense of making the deductions from each paycheck and the government wasting some of its money issuing refund checks and so forth, just to grant the exemption.

Senator DENTON. Do you agree with that?

Mayor TUCKER. Right. Very good suggestion.

Senator DENTON. Well, I promise you that I will pursue the possibility of simplifying that or eliminating it entirely. I know that for my first four children in the Navy I was filling out income tax forms needlessly because I didn't have to pay any tax. I didn't have enough money. It took a lot of time to do that. I can't see any reason for teens to be subject to withholding under this bill, but there may be others who know more about it.

I want to thank all four of you for your appearance here and your very valuable testimony. And I hope you have a good day. You can expect to receive questions in writing from us, and we ask for your prompt response.

Mayor HUDNUT. Thank you, Mr. Chairman.

Senator DENTON. Thank you.

Mayor TUCKER. Thank you, Mr. Chairman.

Senator DENTON. This committee has heard testimony in the past from the next set of organizations represented. They are no strangers here. Dr. Maurice Dawkins is Washington Director for the Opportunities Industrialization Centers, Inc., better known as OIC, a national training organization focusing on the needs of economically disadvantaged minority youth.

Mr. Angel Lopez represents the National Board of SER-Jobs for Progress, a national group assisting Hispanic young people to obtain training and support.

I understand Mr. Alarid is from the American GI Forum, and he will not be with us today, but that Mr. Lopez has consented to represent that organization. Is that correct?

Mr. LOPEZ. Yes, sir.

Senator DENTON. Thank you, sir.

I want to thank you for coming today. Your views are very important, and I will ask Dr. Dawkins to go ahead with his statement.

STATEMENT OF DR. MAURICE A. DAWKINS, NATIONAL DIRECTOR OF GOVERNMENT RELATIONS, OPPORTUNITIES INDUSTRIALIZATION CENTERS

Dr. DAWKINS. Thank you, Mr. Chairman. Mr. Chairman, my name is Maurice Dawkins. I am the national director of Government relations for the Opportunities Industrialization Centers of America, Inc. [OIC]. I have come to represent our board chairman, the Reverend Leon Sullivan, and our national executive director, Mr. Elton Jolly. Unfortunately, prior commitments prevent Dr. Sullivan's appearance, but he sends his best regards to the chairman and to the members of the committee, many of whom have supported the efforts of our self-help job training programs through the years.

I might add, Mr. Denton, we have in central Alabama a very fine program led by a lady named Connie Harper. Your support for that program has been deeply appreciated.

Mr. Jolly, who is in his own right an outstanding educator and the founding chairman of the National Youth Employment Coalition, has asked that I request permission to submit a supplementary statement from him as an appendix to this testimony, if you would grant permission for that.

Senator DENTON. Without objection, so ordered.

Dr. DAWKINS. Now, Mr. Chairman, I am pleased to have this opportunity to share my thoughts with you about today's youth employment crisis, the overall critical employment and training issues which provide the background against which the youth opportunity wage legislation can and must be dealt with by the Labor and Human Resources Committee.

Let me begin by recalling some of the history going back to the riots in Watts, Los Angeles, when I served on a task force sent out by President Johnson to determine what the Federal Government should or should not do about the crisis. As a former president of the Los Angeles NAACP, I had watched with frustration and anger as the city officials and State authorities in California neglected the festering sores of racism and poverty and the cancerous growth of joblessness, hopelessness, and despair creating the conditions which led to the riots.

As an assistant director of the National War on Poverty, appointed as a result of the aggressive efforts of the former chairman of the House Education and Labor Committee, the late Adam Clayton Powell, I was charged with the responsibility of recommending what policies should be considered most desirable and most likely to succeed in changing the conditions or defusing the bomb before it exploded, before a crisis became a disaster.

At this time, Mr. Chairman, almost a quarter of a century ago, the youth were the focus of our attention. They smashed the windows, robbed the stores, firebombed the buildings, in a systematic and semiorganized fashion as well as in a systematic and unorganized fashion. At this time, the labor unions, the black congressmen, the civil rights leaders, were all amazed that nobody knew who these young people were. We later met with the sons of Watts and other emerging leaders, and the message was always the same: "We want jobs. We want to control our own lives. We want jobs. We want to have our own money. We want jobs. We want to pay our own way. We want jobs." Jobs, jobs, jobs: the theme song was always the same.

Now, Mr. Chairman, as you know, more than most, the national policymakers decided that they did not want to reward the rioters by pouring in money. The big debate over the so-called big spending programs and private sector responsibility went into high gear.

Then came the many confrontations, the assassination of Dr. King, additional riots, the poor-people's march led by Dr. Abernathy, the 1970 manpower training legislation, the proposals for youth legislation to try to turn the situation around.

And finally, Mr. Chairman, I want to remind you that it is against this background and under these circumstances that OIC was born in 1964 and shared in the historymaking events and the legislative process that accompanied them.

Against this background, 20 years ago Leon Sullivan began walking the halls of the Congress, knocking on doors, shaking hands, persuading minds, pounding on tables, trying to get something done to help America's young people. This same Leon Sullivan enlisted the help of a broad cross-section of Members of the Senate ranging from Senators Goldwater and Hatch, as conservatives, to Senators Kennedy and Randolph as liberals.

Cosponsors of OIC legislation over the past 20 years have included the names of Weicker and Dole, Long and Pell, Thurmond, Stafford, Metzenbaum, and Riegle of the 1984 Labor Committee, and many others in the 98th Congress, 2d session.

Mr. Chairman, Dr. Sullivan succeeded in getting the help of Chairman Hatch in the State of Utah and worked to assure a transition from CETA to the JTPA which would make possible 70 percent of the funds for training, the involvement of business in policymaking, and a commitment to include community-based organizations of demonstrated effectiveness.

He joined in the bipartisan effort to get a Youth Employment Demonstration Act passed, and of course, organized the nationwide hire-a-youth campaign among small- and middle-size business owners.

Senator **DENTON**. If I may interject, Dr. Dawkins, you did get my personal support here, too. I was a big supporter of that and succeeded in getting several rather important amendments attached, something to protect displaced homemakers and the percentage of the elderly who were made eligible. I had something to do with that. So although you thought you were going to be talking to Senator Hatch, I am pleased to——

Dr. **DAWKINS**. I might add, Senator Denton, that Connie Harper would be very angry with me if I did not appreciate the things that you had done, coming from Alabama.

Senator **DENTON**. Thanks a lot, sir.

Dr. **DAWKINS**. It is against this background that I testify this afternoon on behalf of S. 2687, Senator Percy's Youth Employment Opportunity Wage Act. This act is desperately needed at this time to reach the unreached minority teenage population, whose unemployment rate is 36 percent average and as high as 60 to 70 percent in some pockets of severe economic distress. We know that many youth are unemployed because they lack the skills and are unable to find jobs even in the summer when youth employment is at its peak.

We know that they are hanging out on the street corners, easy prey for the dope pushers and criminal element, easy targets for irresponsible leaders, and beginning their certain journey to permanent unemployment and the development of a permanent underclass.

We know that far too many of our black youth have no basic skills. They can't read. They have no writing or computation skills. That is why Reverend Sullivan after 20 years of successful operation, training more than 700,000 Americans, has sought a new system of prevocational training through legislation to undergird the national vocational education system. That is S. 2289, a Prevocational Training Act.

That is why I am here this afternoon to state that the OIC of America supports the recommendation of Secretary Donovan and Senator Percy for the youth opportunity wage bill to make possible an all-out effort by the private sector to hire at least 400,000 unemployed youth. This demonstration project for 4 months, through September, can serve as a stopgap to meet the immediate summer problem.

It still won't be enough, but it will help. And it's better than nothing.

Our organization, operating in 38 States and 140 communities, has seen the tragedy of our youth, unskilled, jobless, and hopeless, on the street corners, in the pool halls, taprooms, and in crime-related activities.

Reverend Sullivan, angered and distressed by this picture, crisscrossed the country to elicit support of the chambers of commerce, manufacturers, and employers of small, middle size, and large businesses, calling on them to hire at least one youth in each business.

America's youth must not be sacrificed on the altar of theories and doctrines and conflicts about the minimum wage. Our board members and our chairman, Reverend Sullivan, our director, Elton Jolly, all believe in a minimum wage as a matter of public policy. But we say we would rather have hundreds of thousands of our youth employed at $2.50 per hour on a summer job than unemployed at no dollars an hour on the street corner.

Mr. Chairman and members of the committee, we cannot have on our conscience the destruction of young lives, the social explosions in our neighborhoods that could develop if we fail to take action. We say that something must be tried. Why not try the youth employment opportunity wage? We will be the guilty ones if we do not try.

If we don't cry out, the very rocks will cry out, "Do something. Do something besides disagree. Do something besides partisan politics. Do something that concentrates on the youth and not on our disagreements over the minimum wage."

Reverend Sullivan says we need a nonpolitical solution or a bipartisan solution to today's youth crisis before it becomes tomorrow's youth disaster.

I want to thank you, Mr. Chairman, for providing this opportunity to express our views on this critical issue. Your committee faces many pressures from all sides on an issue of this kind. It is our position that this issue of America's youth is an issue that affects America's future. It is a moral issue and deserves positive action by moral men who have the moral courage to stand up against the pressures and take a stand in spite of opposition.

So I would hope that this committee would send a signal to the unemployed youth of this Nation that somebody gives a damn, somebody cares, and party politics and presidential campaign ammunition is not what these hearings in the House and Senate are all about.

I would hope and pray that facing this human tragedy, this committee would take humanitarian action and unanimously vote "yes" for youth and give them an opportunity for summer jobs that would not otherwise be available.

Senator **DENTON**. Thank you very much, Dr. Dawkins. I permitted you to run over because I thought you were going to read your little poem there. Did you read those two things?

Dr. **DAWKINS**. I wanted to read it, and I was afraid I might run over if I read it. May I just ask your indulgence——

Senator **DENTON** Yes. I thought they were pretty good.

Dr. **DAWKINS** [continuing]. To say that the late Martin Luther King once stated about progress and civil rights, "We ain't what we want to be. We ain't what we ought to be. We ain't what we're gonna be. But thank God we ain't what we wuz."

It is in that spirit that I would paraphrase his remarks and say, "It ain't what we want it to be. It ain't what it ought to be. But it's a hell of a lot better than nothing." [Laughter.]

[The prepared statement of Dr. Dawkins follows:]

TESTIMONY

of

Rev. Maurice A. Dawkins

National Director of Government Relations

O.I.C. of America

Before

The Committee on Labor & Human Resources

of

The United States Senate

Hon. Orrin Hatch, Chairman

June 18, 1984

Mr. Chairman,

My name is Maurice Dawkins. I am the National Director of Government Relations for O.I.C. of America, the Opportunities Industrialization Center.

I have come to represent our Board Chairman, the Reverend Leon Sullivan & our National Executive Director, Mr. Elton Jolly.

Unfortunately prior commitments prevent Dr. Sullivan's appearance, but he sends his best regards to you, Mr. Chairman, and to the members of your committee, many of whom have supported the efforts of our self-help job training program through the years.

Mr. Jolly, who is in his own right an outstanding educator and the founding Chairman of The National Youth Employment Coalition, has asked that I request permission to submit a supplementary statement from him as an appendix to this testimony.

Now, Mr, Chairman, I am pleased to have this opportunity to share my thoughts with you about today's youth employment crisis and the overall critical employment and training issues which provide the background against which the youth opportunity wage legislation can & must be dealt wth by the Labor and Human Resources Committee.

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Let me begin by recalling some of the history, going back to the riots in Watts Los Angelas, when I served on a task force sent out by President Johnson to determine what the Federal Government should or should not do about the crisis.

As the former President of the Los Angelas NAACP, I had watched with frustration and anger as the city officials and State Authorities in California neglected the festering sores of racism and poverty and the cancerous growths of joblessness, hopelessness and despair create the conditions which led to the riots..

As an Assistant Director of the National War on Poverty--appointed as a result of the aggressive efforts of the former Chairman of the House Education and Labor Committee, the late Adam Clayton Powell, I was charged with the responsibility of recommending what policies should be considered most desirable and most likely to succeed in changing the conditions or "defusing the bomb" before it exploded. Before a crisis became a disaster.

At this time almost a quarter century ago, the youth were the focus of our attention - they smashed the windows, robbed the stores and fire bombed the buildings in a systematic and semi-organized fashion, as well as in an unsystematic and unorganized fashion.

At this time the Labor Unions, the Black Congressmen, the Civil Rights leaders were all amazed that nobody knew who these young people were. We later met with the Sons of Watts and other emerging leaders and the message was always the same -

> We want jobs - we want to control our own lives - We want jobs, we want to have our own money, we want jobs --- We want to pay our own way. We want jobs - Jobs Jobs Jobs. The theme song was always the same.

So, Mr. Chairman, as you know more than most, the National Policy Makers decided that they did not want to reward the rioters by pouring in money. The big debate over the so called big spending programs and private sector responsibility went into high gear.

Then came the many confrontations - the assasination of Dr. King, additional riots - the Poor Peoples' march led by Dr. Abernathy. The 1970 Manpower Training legislation. The proposals for Youth Legislation to try and turn the situation around.

Then finally, Mr. Chairman, I want to remind you that it is against this background and under these circumstances that OIC was born in 1964 and shared in the history-making events and the legislative process that accompanied them. Against this background 20 years ago Leon Sullivan began walking the halls of the Congress, knocking on doors, shaking hands, persuading minds, pounding on tables, trying to get something done to help America's young people.

This same Leon Sullivan enlisted the help of a broad cross-section of members of the Senate ranging from Senators Goldwater & Hatch conservatives to Senators Kennedy & Randolph Liberals - Co-spomsors of O.I.C. Legislation over the past 20 years have included the names of Weicker & Dole, Long & Pell, Thurmond, Stafford, Metzenbaum & Reigle of the 1984 Labor Committee and many other in the 98th Congress second session.

Mr. Chairman, he succeeded in getting your help in connection with our O.I.C. work in the State of Utah and he worked to assure a transition from C.E.T.A. to J.T.P.A. which would make possible 70% of the funds for training. The involvement of business in policy making, and a commitmemt to include community based organizations of demonstrated effectiveness. He joined in the Bi-Partisan effort to get a Youth Employment Demonstration passed & of course organized the nationwide hire-a youth campaign among small & middle-sized business owners.

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It is against this background that I testify this afternoon on behalf of S2687, Senator Percy's Youth Employment Opportunity Wage Act.

This Act is desparately needed at this time to reach the unreached minority teen-age population where unemployment rate is 36 percent average and as high as 60 to 70% in some pockets of severe, economic distress.

We know that many youth are unemployed because they lack the skills, and are unable to find jobs even in the summer when youth employment is at its peak.

We know that they are hanging out on the street corners, easy prey for the dope pushers and criminal elements easy targets for irresponsible leaders and beginning their certain journey to permanent unemployment and the development of a permanent underclass.

We know that far too many of our Black youth have no basic skills. They can't read. They have no writing or computation skills. That is why Rev. Sullivan, after 20 years of successful operation, training more then 700,000 Americans has sought a new system of pre-vocational training through legislation to undergird The National Vocational Education System. (S2209)

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At the same time, Rev. Sullivan is keenly aware that neither his legislative proposals nor any of the Youth Bills currently being considered by the Congress will be passed and signed into law in time to deal with this summer's Youth Employment Problem unless the President and the Congress come to some agreement on an Emergency Action Plan of some kind.

That is why I am here this afternoon to state that the O.I.C. of America supports the recommendation of Secretary Donovan & Senator Percy for a Youth opportunity wage bill to make possible an all out effort by the private sector to hire 400,000 unemployed youth. This demonstration project for four months -- through September -- can serve as a stop-gap to meet the immediate summer problems.

It still won't be enough--but it will help--and its better than nothing. Our Organization, operating in 35 States and 140 Communities, has seen the tragedy of our youth--unskilled, jobless and hopeless on the street corners in the pool halls, the tap rooms and in crime related activities.

Rev. Sullivan, angered and distressed by this picture criss-crossed the country to enlist the support of the chambers of Commerce, manufacturers and employers of small, middle-sized and large business--calling on them to hire at least one youth in each business.

America's youth must not be sacrificed on the altar of theories doctrines and conflicts about the minimum wage.

Our Board members and our Chairman Rev. Sullivan, our Director, Elton Jolly, all believe in a minimum wage as a matter of public policy--but we say we would rather have hundreds of thousands of our youth employed at $2.50 per hour on a summer job than unemployed at no dollars an hour on the street corners.

The late Marting Luther King once stated about progress in civil rights:

> "We ain't what we want to be
> we ain't what we ought to be
> We ain't what we're gonna be
> But Thank God We Ain't What we wuz.

In that spirit, I would paraphrase his remarks and say,

> "It ain't what we want it to be
> It ain't what it ought to be
> But its a hell of a lot better
> Than Nothing!

Mr. Chairman & members of the Committee, we cannot have on our conscience the destruction of young lives and the social explosions in our neighborhoods that could develop if we fail to take action. We say that something must be tried. Why not try the youth employment opportunity wage. We will be the guilty ones if we do not try.

We drive down the streets and see the kids on the street corners. We hear of the pocket books snatched, the senior citizens mugged, the old ladies raped, the shop keepers robbed. We know of the idle hands that become the devil's workshop. Yes and even teenage gangs stabbing & shooting each other.

If we don't cry out - the very rocks will cry out---Do Something! - Do Something besides disagree -- Do something besides Partisan Politics - Do Something that concentrates on the youth and not on our disagreements over the minimum wage --- Rev. Sullivan says we need a non-political solution or a Bi-Partisan solution to today's youth crisis before it becomes tomorrows youth disaster. Rev. Sullivan says,

> "I give the Bill my conditional support as an experiment and I think it should be tried. Because there are millions of young people in the cities of America who are unemployed and they need to be employed and put to work in the summer in some way.
>
> Something must be tried. We must try with everything we can to help make this happen.
>
> I am supporting the bill with the understanding that it will be an experiment. That it must be closely monitored! that it must be evaluated, that we must be sure that no adult worker is displaced and that no youth already working at minimum wage is replaced and that the standard of the minimum wage of full time workers will not be altered in any way. The youth unemployment crisis calls for non-political considerations."

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Thank you, Mr. Chairman for providing this opportunity to express our views on this critical issue. Your committee faces many pressures from all sides on an issue of this kind.

It is our position that this issue of America's youth is an issue that affects America's future --- it is a moral issue and deserves positive action by moral men who have the moral courage to stand up against the pressures and take a stand in spite of opposition.

You, Mr. Chairman, have demonstrated your willingness to take such a position many times. As I look at the members of your committee I see men whose records are a living testimony to thier willingness to put principle above politics and combine idealism with pragmatism.

So, I would hope that this committee would send a signal to the unemployed youth of this nation that somebody gives a Damn! That somebody cares! that Party Politics and Presidential campaign ammunition is not what these hearings in the House & Senate are all about.

I would hope and pray that facing this human tragedy this committee would take humanitarian action and unanimously vote "Yes for Youth" and give them an opportunity for summer jobs that would not otherwise be available.

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Senator **Denton**. Thank you, Dr. Dawkins.
Mr. **Lopez**.

STATEMENT OF ANGEL LOPEZ, VICE CHAIRMAN, SER-JOBS FOR PROGRESS BOARD OF DIRECTORS, AND REPRESENTING AMERICAN GI FORUM

Mr. **Lopez**. Mr. Chairman, thank you for this opportunity to appear before you this afternoon. I am Angel Lopez, the vice chairman of the SER board of directors.

With 18 years' experience in the job training business, SER has become particularly sensitive to the employment problems of minority youth. Time and again we have witnessed employers telling our job developers that the employee they are looking for should be young, have lots of experience, have a stable personal life and a family. Time and again, in response our job developers respond that apparently in that case the employer wants to hire the parents and not the child.

As a member of this distinguished committee, you are familiar with the deplorable statistics of youth unemployment. You know that already high unemployment rates will soon be even higher during the summer months when school is out. We know that you have wrestled with a number of difficult choices and alternatives as you have sought an effective means to address this national tragedy.

At SER we have always supported minimum wage legislation. We have tried always to support the interests of the American working men and women. Today we wish to reaffirm that support and that commitment as we urge the committee to act favorably on a temporary differential wage for America's youth under the age of 19.

We support the legislation before you just as we have supported other innovative, bold, and experimental legislation introduced by you from time to time to combat the very serious problems of youth unemployment. In SER we operate the only job corps center in the Nation administered by a minority community-based organization. We administer probably the only career-oriented multicultural alternative high school in the Nation, right here in Washington, DC.

In addition, we have participated in a number of experimental youth programs, school-to-work transition, and career exploration programs. We understand the problem of youth unemployment, and we have not turned our backs on innovative approaches to deal with that problem.

To protect the interests of our youth and adult workers, I would urge the committee to incorporate the following provisions in the legislation.

First of all, have safeguards to prevent the displacement of adult workers by youth. We would hope that the legislation be in effect only for the summer months and apply only to youth 18 years and younger; that the Secretary of Labor be authorized to conduct the appropriate labor market studies after this legislation has been passed, to determine what effect, if any, the legislation has had on the creation of new jobs, the possible displacement of adult workers, and a decrease in youth unemployment, and finally, the impact on minority youth.

Also, that that legislation be covered by a sunset provision allowing it to expire if it fails to accomplish its stated goals or achieve the desired results.

I am certain we can all remember our first jobs, just as I remember mine and the fact that I was not paid the minimum wage. I am equally certain that if my first employer had been required to pay me the prevailing minimum wage, I would not have been employed.

Therefore, I urge this committee to pass the legislation before you. The youth of our country needs the experience of being wage earners. Let's not deny them that privilege and that responsibility. Thank you.

Senator DENTON. Thank you, Mr. Lopez.

Gentlemen, Dr. Mary Berry was reported in William Raspberry's Washington Post column last week to have endorsed the concept of a special wage as a tool to alleviate youth unemployment but it would be for blacks only. May I ask you, in turn, what you think of that idea, Dr. Dawkins?

Dr. DAWKINS. Well, I might quote Reverend Sullivan, who says that we need black power and we need white power and we need to put the two of them together to make American power.

We cannot be exclusive. We must be inclusive. There are poor people who are black. There are poor people who are white. There are poor people of all races. And all poor people ought to be targeted, from our point of view, wherever they are.

And so I would oppose anything that exclusively is targeted for black people.

Senator DENTON. And you, too, I am sure, Mr. Lopez, because——

Mr. LOPEZ. Coming from Chicago and having offices throughout the country, we address the needs of youth regardless of their background, or their race. And I think it's very important that this youth bill be addressed as such, that poor people are poor people and they need food to eat regardless of their color. They go just as hungry no matter what color they are.

Senator DENTON. I mentioned before that I was a prime sponsor, along with Senators Quayle, Kennedy, and others, of the Job Training Partnership Act. And I can appreciate the support of your respective organizations for federally sponsored job training programs.

The meeting I am late for at 4 o'clock in my office is to talk with some Federal and State people on the subject of a program called CITY—C-I-T-Y—which in Alabama has achieved a reputation for being worthwhile. I won't bore you with the details, but the question is relevant to what CITY tries to do. However, what happens to those kids who cannot be served by such programs if they can't get a job on their own for $3.35 an hour, do they just lose out altogether?

Dr. DAWKINS. I would think, Mr. Chairman, that we must recognize that there is a larger universe of need out there than our statisticians and researchers tell us about, a lot of uncounted, undiscovered, un-uncovered young people out there. I would say the number is maybe twice as many as we think there are, who are not going to get any kind of job with the existing programs and existing plans for programs.

We need to do something more than is now being done. I think it was—I hate to quote Martin King so often—but he did say we have to accept the fact of the darkness when the lights go out and we have to be willing to light a candle rather than curse the darkness and we have to be willing to do things that have never been done before.

And I think we have to do something here to reach those unreached that has never been done before. And it needs to be done in the private sector. It needs to be done with the employers. They're the ones that have the jobs. The unions don't have the jobs. The churches don't have the jobs. The lodges and fraternal groups may have a few little jobs, but they're so minute. But employers have jobs, and the employers need an incentive to want to go beyond what they're already doing. They need something positive. The negative approach doesn't get them going. You need a positive approach to get them going.

Mr. LOPEZ. Mr. Chairman, the youth of our country need jobs, and it would be ideal if there were enough jobs out there to provide a job for each and every individual out there. It would be ideal if this subminimum wage would also provide the jobs for each and every one out there.

But to be realistic, that's not going to be possible. I do believe that as a result of this bill, it would encourage the private sector to take the initiative and start to develop and create more jobs, so that, in essence, the bill would in fact provide the jobs, additional jobs that would normally not occur if we stayed with the no[illegible] $3.35 an hour wage.

Senator DENTON. You particularly, Dr. Dawkins, have stressed bipartisanship. And I believe we need it, not only in this field but in the field of security. I have seen Democrats and Republicans as parties sort of shift sides on issues during my lifetime. And I don't think it's unimportant that your two respective organizations have endorsed legislation to create a youth opportunity wage for the first time and we are talking on a bipartisan level.

Would you care to add anything to what you have already said, because I consider this to be an essential ingredient for national survival, no less, the bipartisanship on the survival issues. I can't see choosing up sides and spitting across lines of party, race, feminist, homemaker, or whatever. I don't see any utility in that. Could you tell us any more about your impetus for endorsement of the bill and for the willingness of your organizations to break with the traditional positions?

Dr. DAWKINS. Mr. Chairman, I would be glad to do that. From a political perspective, we are afraid that the House, being controlled by the Democrats, will pass the Hawkins bill and neglect the youth opportunity wage, and that the Senate, being controlled by the Republicans, will pass the youth opportunity wage and the Kennedy-Hawkins bill might be neglected.

The only ones that would suffer would be the youth. The Presidential campaign will find both sides using whatever their results were, in the debates. But the youth will still be out there.

So our concern is to have this bill, as training has always been a bipartisan issue in this Congress—somehow we've managed to keep employment and training as a bipartisan issue—we would urge earnestly that the Republicans and Democrats in this case go beyond politics of a partisan nature and look at the problem and say:

> Let's do maybe both things or a combination of the two things, but certainly let's not do no things. Let's do something, using this Youth Opportunity Wage for the private targeting and using whatever else can be done to supplement that.

As I remember, the President himself and the Secretary said they were for the $100 million supplement and they're also for the Youth Opportunity Wage. Certainly, if they do both, there will still be some youth that won't be reached.

Mr. LOPEZ. Mr. Chairman, I would encourage both Democrats and Republicans to go along the streets of Chicago and the inner city or to go along the barrios of the Southwest and to debate the issue amongst the youth of our country that need the jobs, to debate the issues on an intellectual plane in Washington and neglect our youth that are going away from jobs and in desperation are turning to crime is a shame. It is a shame that we should even consider that politics should play a role in this critical issue.

I think if they would just take a walk down the streets of Chicago, the Bronx or the barrios in the Southwest of this country, they would quickly realize that bipartisan politics is the only way to go. There has just got to be more than Democrats and Republicans, but most of all Americans, working together to see what's in the best interests of this country.

Dr. DAWKINS. Time—just one thing, Mr. Chairman—and that is that time is so important. If an emergency action plan could be agreed upon by this committee, members on both sides of the aisle, and we could get people on the House and get something to the President to be signed, I am sure the President would cooperate with some kind of flexibility also. So we'd get something happening quickly rather than debate until it's too late to do anything.

Senator DENTON. I want to thank you very much for your testimony, gentlemen. And I share your hope. And you will be receiving written requests, questions in writing. And I hope you will respond promptly. I will be quoting both of you on the floor of this body as we deliberate prior to our voting. Thank you very much.

Mr. LOPEZ. Thank you, Mr. Chairman.

Dr. DAWKINS. Thank you, Mr. Chairman.

Senator DENTON. We will hear next from Mr. Ray Denison, the director of the department of legislation of the AFL-CIO.

I understand you intend to change the tune here a little bit, Mr. Denison. You are welcome to give your point of view, and please begin your testimony.

STATEMENT OF RAY DENISON, DIRECTOR, DEPARTMENT OF LEGISLATION, AFL-CIO, ACCOMPANIED BY JOHN ZOLUSKI, ECONOMIST, RESEARCH DEPARTMENT, AFL-CIO

Mr. DENISON. Thank you, Mr. Chairman. I am accompanied today by John Zoluski, an economist in our research department. I will try to read just two pages of my testimony and then respond to questions.

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO in opposition to S. 2687, the so-called Youth Employment Opportunity Wage Act. We believe a more appropriate title is the "Youth Discrimination Wage Reduction Act."

This bill is promoted as an experiment to determine whether subminimum wages during warm-weather months would expand employment opportunities for young people. This experiment, with a discriminatory subminimum wage for young workers, is an unfair and ineffective deception which hides behind the noble purpose of creating jobs for young Americans. Its true effect will be to serve up hundreds of thousands of young, defenseless workers to employers most willing to exploit them.

The American custom has been to pay workers for their contributions and experience, not according to their age or group unemployment rate.

The Fair Labor Standards Act was designed to provide a fair minimum wage below which no one covered by the law would work. Its purpose was to prevent employers from exploiting Americans of any age, any sex, any color, any religion, any national origin. A youth subminimum violates that basic standard and undermines the concept of equal pay for equal work.

To the extent that preference is given to workers under 20 in obtaining jobs, the result of the subminimum wage would simply be to transfer unemployment to others who would be struggling for the same minimum wage jobs: those over 20, finished with school, trying to start work careers, or those frozen in low wage jobs.

The idea of experimenting with discrimination based on age or unemployment rates is simply offensive, particularly as it is clear that that idea will not and has not created new employment in the past.

Furthermore, without this legislation, tens of thousands of young people under 20 will go into the job market and obtain employment at $3.35 an hour. Now, these same young people may face the handicap of being forced into jobs that will have suffered a 25 percent wage cut. At an annual rate, that is a cut from $6,968 to $5,200 with no proof that a single new job was created.

And I might interject that my 18-year-old son told me when I came to testify, he said, "Dad, last summer I worked for $2.85 an hour, which was below the minimum wage. At Christmastime I worked for $2.85 an hour. And now if this passes I will get the same job at $2.50 an hour."

So he will suffer a wage cut in his same job. At least my teenage son supports me here today.

So there also appears to be an attempt to hide the fact that there are already two important exceptions to the $3.35-an-hour minimum that are relevant to this proposal. One, there is presently a $2.85 per hour subminimum wage for students, which allows the fast-food chains or any person or any company or organization that qualifies to hire all the young persons they wish, yet a declining number of employers choose to send in the post card to the Department of Labor pledging certification. In fiscal year 1982, 26,715 certificates were approved by the Department of Labor, with an estimated 252,391 young workers authorized, though not necessarily employed.

In 1983 this fell to 25,905 certificates, with an estimated 241,896 students authorized. This 4-percent drop in certified employment occurred when youth unemployment was higher than it is now.

The number of institutions of higher education and retail and food service establishments requesting certification all fell while agricultural certificates remained about the same.

It is clear that there is a diminishing response to subminimum wages as an incentive to hire young people.

Second, small businesses, so-called mom-and-pop stores, are exempt from any Federal wage floor if they gross less than $262,500 per year. So the examples cited by the Secretary of Labor that the measure would create a job for youngsters sweeping out a barbershop is fallacious. That situation is already excluded from the Federal minimum wage.

So one must wonder why the Reagan administration has made this wage cut bill a priority.

Also, to interject, I also understand that the cities, municipalities, under a court decision—and this would apply to those witnesses we heard earlier—would not have to pay any minimum wage to any municipal worker. So they can pay any wage they wish now, as it is currently established.

So even the large financial incentives offered through the targeted-jobs credit programs have had no effect on summer jobs for the target group of young people in the 16- and 17-year-old age bracket.

Under this plan, employers hiring disadvantaged young workers receive a tax credit of up to 85 percent of the first $3,000 of wages. An employer paying the existing minimum wage of $3.35 per hour for 520 hours during the summer months would pay out $1,742, receive a tax credit of $1,481, leaving a real wage cost of $261, or 50 cents per hour. It would be even less for those employees at $2.85 or $2.50 an hour. In fact, it could drop as low as 37 cents an hour, the actual cost to the employer.

So I might suggest that these areas where we have $2.85 an hour, or we have those firms that do not have to pay any minimum wage whatsoever, there have been no studies showing that these have created jobs. So if they were providing and creating new jobs, I am sure testimony would be forthcoming to show how these existing subminimum wage levels have created jobs.

We certainly endorse in the AFL–CIO the need for additional jobs. However, I would point out that minimum wage jobs are sought not only by young people, but by adults as well. The 8.5 million Americans unemployed, only 17 percent of them are teenage youth. And the newspapers are filled with photos of long lines of workers seeking these low wage jobs.

I would suggest that one way to prevent further erosion and loss of jobs and to help the problem for teenagers and adults as well would be to take a second look at the Nation's trade policy whereby we are losing thousands of jobs abroad because of low-wage imports and even minimum wage companies, such as the Atari Co., for example, which laid off, fired 2,500 minimum wage workers when they sent their company to the Far East.

So I conclude by saying the United States is not Hong Kong. We do not need Hong Kong wages. We need an American standard of wages if we are to maintain an American standard of living.

Thank you, Mr. Chairman.

Senator DENTON. Thank you, Mr. Denison.

Your rationale that the result of a subminimum wage giving preference to workers under 20 in obtaining jobs would simply be to transfer unemployment to others may ignore one possibility, and that is that there are some jobs simply not being taken out there which these teenagers might take. In other words, the jobs in some cases might not exist. There are some domestic tasks, hotel restaurant jobs about which, as you go around the country, you hear great complaints about not being able to hire enough folks to fill. I can't see an elderly person jumping into the job I had of jumping out to those curbs and putting those chocolate sodas on the trays. It required you to, you know, move around pretty fast.

So there is that logical gap, I would think. It's not necessarily so, I would believe, that you would simply transfer unemployment to others. There are things that could be done in the field of services, I would believe theoretically possible.

And of course, we've heard all the mayors testify in that direction. I am informed that the minimum exception, $2.85 per hour subminimum for students, which allows fast-food chains to hire six employees, is handicapped by a ton of paperwork. I am thinking about ways to eliminate that problem with this program, as you heard from the last panel.

And is it not so, in terms of the targeted jobs tax credit programs, that under President Carter there were only 200,000 hired, under President Reagan there were 500,000 hired? We still have some problems with it, but it's not entirely bad. I would think that there are some parts of the country, particularly the South, and perhaps the Southwest, with the high—disproportionately high—black youth unemployment, and that they may indeed be benefiting by the targeted jobs tax credit.

Do you have any answer to that latter observation?

Mr. DENISON. Well, the targeted-jobs credit was phased in over during the Carter period, and so its use and acceptance by employers is bound to increase as they become more familiar with it. I think that was a natural phenomenon.

In terms of domestic work, those people are not covered under the minimum wage. They can be paid anything they wish at this time.

In terms of students, again I say that these youngsters can go to work at fast-food places or they can go and get the student subminimum of $2.85 or work——

Senator DENTON. Excuse me, sir. I heard you say that domestics are not covered under minimum wage. I remember my mother spending a long time straightening out her situation. She paid Social Security for a lady who worked for her once a week, and the lady was receiving minimum wage.

Mr. DENISON. That's Social Security, sir.

Senator DENTON. No, no. There was also a requirement to pay minimum wage.

Mr. DENISON. No, the domestics are not covered under the law. They simply are not covered. You must be a firm having gross receipts of at least $262,500 per year before you qualify and be engaged in interstate commerce. That's where the Federal application comes in.

Now, it may be a State may have some, or a community or a municipality. That's something else. But if we're talking in terms of the Federal law, that does not apply. And again, where you're talking about hotels and restaurants, busboys, jobs of that nature—and this was the kind of a job that I say my 18-year-old son has—they are filled with the students at $2.85 an hour now.

Senator **Denton**. Some of those jobs are going wanting in some parts of the country, I thought because there was minimum wage.

Mr. **Denison**. I don't understand. If they're not being filled at $2.85, they'll be filled at $2.50?

Senator **Denton**. Are you saying that all the hotels can violate the minimum wage provisions?

Mr. **Denison**. No, sir. It's a provision in the minimum wage law that allows them to hire at 85 percent of the minimum wage law, full-time students, if they meet the provision. All they have to do is fill out a card to the Labor Department, send it in——

Senator **Denton**. Well, most of the kids, we're talking about aren't students, I suppose.

Mr. **Denison**. Well, OK, if we're talking about nonstudents, then this is what this gets at. We're talking about the employer who makes more and grosses more than $362,500 a year. We're talking about the employer who does not want to hire students. We're talking about the employer who does not want to use the targeted-jobs credit. All of these tools are available to them now.

So what he is really after is someone who is out of school, who is under 20. That's really what this is aimed at. And for that purpose, he wants them at $2.50 an hour.

Senator **Denton**. I want to recognize my distinguished colleague and friend, Senator Grassley, from Iowa, and I will turn the hearing over to him after an observation.

Your opinion is certainly well founded on statistics. We have heard the mayors say they think bipartisanly we should pass this bill. It is my impression that organized labor in the main is not as responsive as they could be—and this is a view I will express—to the need to make some adjustments and justifiable concessions to the Government for collective bargaining, for unionization and that sort of thing. I have heard union members in my State when I was campaigning, come to me and show me their paychecks and gripe about the part being withheld by the union. I have supported legislation to deal with that issue.

I wish we could get more across-the-board agreement between labor and management on these issues, Mr. Denison. I think there is a certain unreasonableness in your position. I think the pendulum has swung too far. I would like to see us come back more to the center.

I note that a plant in Fairfield, AL, amongst the preponderant proportion of closings of United States Steel plants, was kept open due to the pragmatic—and I do not believe uncompassionate—compromises reached by members of United States Steel in Pittsburgh, United States Steel in Birmingham, and a local member of the steel union and a national member. They departed from accepted positions of their respective organizations. They got a lot of criticism from the rest of the country, but they not only kept the plant open, but also they allowed for an expansion of that plant. I encourage that.

Mr. **Denison**. I am not unfamiliar with the point you're making.

Senator **Denton**. OK. Right. I admit that's fairly general, but I did want to get it on the record.

Mr. **Denison**. In terms of concession, the unions are always most willing to sit down and work out these problems with the employers, because no one wants the American standard of living to be undermined. We cannot buy the products in the store if we don't make a decent wage.

Senator **Denton**. All right, I will turn the chair over to my friend, Senator Grassley.

Senator **Grassley** [presiding]. Thank you, Mr. Denison, for your testimony.

Our next witness is Mr. James O'Hara.

Would you like to come at this time, Jim, then?

STATEMENT OF JAMES G. O'HARA, CHAIRMAN, MINIMUM WAGE STUDY COMMISSION

Mr. **O'Hara**. Senator Grassley, my name is James G. O'Hara, and I am appearing before you in my capacity as the chairman of the Minimum Wage Study Commission. We were created by the Fair Labor Standards Act Amendments of 1977. I served first as a member of that Commission and then as chairman of it.

Our report, covering a number of volumes, was submitted to the Congress in May of 1981.

I was asked to testify concerning the findings of the Minimum Wage Commission with respect to a youth differential. I would like to begin by saying that I am upset and concerned by the use of exaggerated employment figures alleged to result from the youth subminimum and which are attributed to the report of the Minimum Wage Study Commission.

It is suggested that if this proposal is enacted into law, it will create 400,000 new youth jobs. And that figure is allegedly derived from the report of the Minimum Wage Study Commission. Well, Mr. Chairman, anyone who makes that statement hasn't read the report of the Federal Minimum Wage Study Commission.

What the Federal Minimum Wage Study Commission found—it appears on page 47 in the first column—what the Federal Minimum Wage Study Commission found was that although it was very difficult to pin it down, that there might be a gross increase in youth employment of from 2.5 to 5 percent of the employed youth labor force, as the result of a general subminimum 25 percent below the regular minimum wage.

Now, since the time of that report, the size of the youth labor force has shrunk from around 8 million youth employed to around 6 million youth employed. And if you apply your 5 percent—and obviously, they arrived at their figures by taking the highest range of the Commission's estimates—5 percent of 8 million was 400,000. But there are only 6 million youth working today and 5 percent of 6 million is not and never will be 400,000.

In addition, the 400,000 figure was a gross figure, not a net figure, because the Commission also found that there would be substantial displacement of minimum-wage adult workers by a youth subminimum, and that the net gain in jobs would be very considerably less than the 400,000 max that we projected back at that time.

Furthermore, the Commission found that to the extent you limited the reduction in the minimum wage—that is, if you applied it to only certain months of the year or if you placed other limitations upon it, such as no displacement of adult workers—the number of jobs created would be reduced even further.

So the 400,000 figure is vastly overinflated. And recent events, in addition to the shrinkage of the labor force, would lead me to the conclusion that the figure ought to be deflated even further.

A central feature of each of the studies made by the Commission and each of the studies that the Commission reviewed that had been made by others prior to our creation, was the use of a minimum wage index which reflected the relationship between the minimum wage and the average nonagricultural wage.

At the time of our study, the minimum wage was $2.90 and the average nonagricultural wage was $6.16. Since that time the nonagricultural wage has increased by 35 percent and the minimum has increased by only 16 percent. As a consequence, all of the calculations in the studies on which our Commission's report was based would have to be adjusted to reflect the fact that the minimum wage index, the relationship of the minimum to the average wage, had changed and changed in a way that would have reduced the potential effect in terms of job creation of a youth subminimum.

So the figure of 400,000 jobs as a result of a youth subminimum is vastly overinflated.

Our Commission found that the record did not justify the establishment of a youth differential.

Several considerations led us to this recommendation: First, available estimates suggest that a youth differential has a limited potential for reducing the unemployment rate among teenagers, because teenage employment increases probably would be modest and a differential is likely to attract additional teenagers into the labor market.

Also, there is no evidence that areas with the highest youth unemployment rates would be the most likely beneficiaries of a youth subminimum.

Second, adult employment would be reduced by a youth differential and forced to choose between teenage and adult employment, the latter seems a considerably higher priority.

Third, there is reason to hope that teenage unemployment will lessen in the not-too-distant future as the large group of baby-boom teenagers passes into young adulthood.

Fourth, a youth differential would represent a departure from the principle that there should be equal pay for equal work regardless of accidents of birth, such as race, sex, ethnic or national origin, or age. If suggestions were made that the very real employment problems of women or members of minority groups should be solved by paying them less for their labor, such a proposal would be rejected out of hand as fundamentally unjust. We can see no difference in principle between such proposals and those based on age.

It really boils down to a question of who wins and who loses.

So, in conclusion, Mr. Chairman, I would like to state that it really boils down to a question of who wins and who loses.

We believe that the gainers would, of course, be those teenagers who would get jobs otherwise unavailable to them. But the biggest gainers would be the fast-food industry and retail establishments, the large employers of youth labor at minimum wage rates. They would find labor at a sharply reduced rate.

The losers are the low-wage adults, a group which disproportionately includes blacks, Hispanics, and women.

Other losers would be college students who are looking for summer jobs, because high school students looking for summer jobs would get the jobs the college students would have gotten.

Finally, the largest group of losers would be teenagers who would have gotten minimum wage jobs at $3.35 and who instead will get jobs at $2.50. Their number far exceeds the number that would get jobs who otherwise would not have obtained jobs.

So, Mr. Chairman, I don't believe there is any reason that the Minimum Wage Study Commission would want to change the conclusion it reached at that time.

Senator **Grassley**. I probably should ask you lots of questions, but I only will ask you one and then submit some in writing. And all I can say is it could be very well that your analysis of the Commission's report about how many jobs it would create could be accurate. I suppose from my standpoint and those others who cosponsor it, it comes from a belief that things might be otherwise, and a sincere belief that things would be otherwise.

But I just wonder did the Commission back there in the period before 1981, because that's when the report was released, give any thought to a trial basis of a summer or two, trying this to see if it actually created jobs, or did they give any consideration that in a certain region of the country for a summer or two it would be tried just to see if in fact there were actually new jobs opened up out there and jobs that didn't replace older people with teenage unemployment, so that we would really know concretely whether or not we're doing harm by doing the same rate for both teenagers as well as adults of minimum wage?

Mr. **O'Hara**. Senator Grassley, we did give some consideration to an experimental program, not along the lines of a one or two summers, but an experimental program in terms of singling out certain localities for an experimental program. In fact, one of our commissioners who agreed with the Commission's report, and seven of the eight commissioners did agree with our findings on the minimum wage for youth, one of those seven felt very strongly that we should have encouraged some sort of local experimentation.

The Commission, however, did not do so, because it was convinced that the youth differential was a bad idea, and didn't want to weaken its findings by recommending some sort of local experimentation; and second, we were concerned about the uniform application of Federal law. And I know that's a concern of all of us who have lawmaking and policy responsibilities. And we did not want to say that, "Well, one wage might prevail in this State or that city, but another wage in another State or another city."

Senator **Grassley**. Well, I appreciate that. And I guess I would only say that on this issue, even as I would remember a vote in the House of Representatives when you and I were both there, that on a tie vote this issue did not carry, of a lower minimum wage for teenagers. Where there are such strongly held beliefs and maybe where there is good evidence maybe on both sides, that maybe this is an issue that.s right for such in-depth experimentation——

Mr. **O'Hara**. Well, Senator, I know what your views are, and I know that they're very sincerely held, and whenever you tell me that you believe something deeply, I listen because I have respect for you and for your integrity.

But this is a subject on which I have spent a great deal of time and I, too, have very strongly held views.

Senator **Grassley**. Well, and I am only suggesting then that that may be a situation where both sides are intellectually honest, it is a good place for research in this area, and experimentation. Maybe once——

Mr. **O'Hara**. Well, Senator, I am not going to lose any regard for you if you don't follow my advice.

Senator **Grassley**. OK.

Mr. **O'Hara**. But I would think even more of you if you did. [Laughter.]

Senator **Grassley**. Well, I think I will have to say thank you for your testimony, and I will move on to the next panel.

Mr. **O'Hara**. Thank you, Senator.

Senator **Grassley**. And I am sure we did have other questions that we wanted to ask you, so I would expect that there would be some submitted in writing.

Mr. **O'Hara**. I am willing to be of help to the committee in any way that I can. Thank you, Senator.

Senator **Grassley**. Thank you.

Now, the panel based on business representatives: Mr. Dewey Thomas, representing the National Association of Minority Contractors; Mr. D. Page Busken, owner of Busken's Bakery, Cincinnati, OH, representing the National Retail Bakers Association; Mr. James O. Kondor, president of the Kondor Thriftway, Winterhaven, FL, and member of the National Board of the National Grocers Association; and Mr. John Motley, director of the Federal Legislation Office, National Federation of Independent Business.

So I would ask you to—I don't see Mr. Motley. Is somebody else taking his place? OK. Mr. Motley is not here.

So, Mr. Dewey Thomas, would you start out, please?

STATEMENT OF DEWEY THOMAS, REPRESENTING THE NATIONAL ASSOCIATION OF MINORITY CONTRACTORS

Mr. **Thomas**. Good afternoon, Mr. Chairman. On behalf of our association, the National Association of Minority Contractors, I would like to thank you for this opportunity to testify on behalf of S. 2687.

In respect of time, and also that I think that everything that's to be said on a positive note has been said in relationship to support of this, so I would just like to quickly summarize and then also ask that our official statement be made part of the record.

Senator **Grassley**. It will be.

Mr. **Thomas**. No. 1 is, the reason that our association is supporting this piece of legislation is that we are currently entering the third decade of minority youth unemployment, and it's getting more serious with each decade. We think that the unemployment is a foundation in all of the urban cities to the unrest and all of the other debilitating factors that go along with that.

We feel very strong that a lack of opportunities to develop work ethics by minority youths is also a very serious, serious problem.

On the business side, we in the past have not taken the kind of responsibility—when I say "we," meaning minority business firms, doing anywhere I would say from a million up to $5 million, which most of them fall in that category that we represent—we have not taken a very active role in this problem, and we feel by the reduction of the minimum wage would then allow us to be more active in this because of just talking about the bottom line, that we would be willing to do the kind of training that is necessary to try to develop minority youth and give them alternatives as it relates to the business world, and also to take into consideration that we have become a much more valuable resource to the business community that we are in.

All the other things relating to this on a positive note again I think have been said. We do have concerns that we would like to express, and I would just sort of tick those off.

We have a concern as it relates to enforcement. We have a concern as it relates to data collection. Again, just hearing the statistics that I just heard from the prior person speaking, hearing various other statistics, I would like to see some real hard, fast ones during the experimental stage of this piece of legislation.

We have a concern with the outreach, outreach information that will be going out. We think that is very, very important to put away with any misnomers that anybody may have in relationship to this bill.

The other concern is that we collect the data. We want to make sure included in that, we want to find out who is going to be the benefactors of a piece of legislation such as this.

In summary, our association again, we represent over 3,000 businessmen across the country that are involved in the construction industry. We are in support of this, and we feel that if this piece of legislation goes forth, then the companies that we represent can play an active role in helping America cure this very, very serious problem that is getting worse by each decade.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Thomas follows:]

STATEMENT BY

NATIONAL ASSOCIATION OF MINORITY CONTRACTORS

PRESENTED TO

UNITED STATES SENATE COMMITTEE ON

LABOR AND HUMAN RESOURCES

ON

THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT
OF 1984

JUNE 18, 1984

JOHN B. CRUZ, III
PRESIDENT - NAMC

DEWEY THOMAS, JR.
EXECUTIVE DIRECTOR - NAMC

NAMC POSITION PAPER
47

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, ON BEHALF OF OUR NATIONAL MEMBERSHIP AND CONSTITUENTS, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY ON THE PROPOSED "YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984."

THE NATIONAL ASSOCIATION OF MINORITY CONTRACTORS (NAMC) IS A FULL SERVICE, NON-PROFIT MINORITY BUSINESS TRADE ASSOCIATION, ESTABLISHED IN 1969, TO ADDRESS THE NEEDS AND CONCERNS OF MINORITY CONSTRUCTION CONTRACTORS NATIONWIDE. CURRENTLY, NAMC'S MEMBERSHIP, COMPRISED OF BLACKS, HISPANICS, WOMEN, AND ASIANS, COVERS 37 STATES, THE DISTRICT OF COLUMBIA, AND THE VIRGIN ISLANDS. NAMC IS HEADQUARTERED IN THE NATION'S CAPITAL, AND INCLUDES GENERAL CONTRACTORS, SUBCONTRACTORS CONSTRUCTION MANAGERS, MANUFACTURERS, CONSTRUCTION SUPPLIERS, LOCAL MINORITY CONTRACTOR ASSOCIATIONS, FUNDED TECHNICAL ASSISTANCE ORGANIZATIONS, AND OTHER ASSOCIATED ORGANIZATIONS.

DESPITE SIGNIFICANT INROADS THAT HAVE BEEN MADE TOWARD A SUSTAINED ECONOMIC RECOVERY OVER THE PAST YEAR, YOUTH UNEMPLOYMENT REMAINS EXTREMELY HIGH, PARTICULARLY AMONG MINORITIES. UNLIKE SOME PROBLEMS THAT PLAGUE OUR SOCIETY THAT CAN BE NEATLY ASSOCIATED WITH A PARTICULAR GROUP, THE HIGH INCIDENCE OF UNEMPLOYMENT AMONG OUR YOUTH AFFECTS ALL OF US----LARGE AND SMALL BUSINESSES, MINORITIES AND NON-MINORITIES, REPUBLICANS AND DEMOCRATS. CONSEQUENTLY, FOR THE ECONOMIC AND SOCIAL GOOD OF THE AMERICAN SOCIETY AS A WHOLE, THIS PROCESS MUST BE REVERSED.

THE FEDERAL GOVERNMENT HAS MOVED STEADILY IN AN EFFORT TO

AMELIORATE THIS MOST SERIOUS AND LONGSTANDING PROBLEM. HOWEVER, YOUTH EMPLOYMENT PROGRAMS PRESENTLY IN EFFECT ARE EITHER TOO RESTRICTIVE TO BENEFIT A SIGNIFICANT PROPORTION OF THE TARGETED GROUP, REQUIRE A CUMBERSOME CERTIFICATION PROCESS THAT MAY DETER SOME EMPLOYERS FROM USING THE PROGRAM, OR REQUIRE A SUBSTANTIAL FEDERAL EXPENDITURE FOR THEIR IMPLEMENTATION. MOVEROVER, THE PROBLEM STILL REMAINS. A NEW STRATEGY, THEREFORE, IS LONG OVERDUE.

WE, AT **NAMC**, BELIEVE THAT THE KEY TO THIS NEW STRATEGY IS TO PROVIDE INCENTIVES FOR THE PRIVATE SECTOR TO REPLACE THE FEDERAL GOVERNMENT AS THE LEAD PLAYER IN THIS SCENARIO. PRIVATE SECTOR INVOLVEMENT WILL NOT BE PREDICATED ON GOODWILL ALONE. THEREFORE, PROGRAMS MUST BE STRUCTURED IN A MANNER THAT APPEALS TO PRIVATE SECTOR MOTIVATION.

THE LOWER WAGE PROPOSED UNDER THE **YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT** SHOULD SUPPLY SUCH AN INCENTIVE FOR EMPLOYERS TO EXPAND JOB OPPORTUNITIES FOR YOUNG PEOPLE DURING A CRITICAL PERIOD. MOREOVER, THIS PROGRAM CAN BE COMBINED WITH THE TARGETED JOBS TAX CREDIT PROGRAM TO FURTHER REDUCE ACTUAL HIRING COSTS, THEREBY PROVIDING AN ADDITIONAL INCENTIVE TO HIRE DISADVANTAGED YOUTH.

WHILE CRITICS DECRY THAT THE LEGISLATION WILL ENCOURAGE THE SUBSTITUTION OF YOUTH FOR ADULT WORKERS, WE DO NOT FORESEE THIS TO BE A MAJOR PROBLEM. FIRST, THE PROPOSAL IS LIMITED TO THE SUMMERTIME WHICH IS A DISINCENTIVE TO THE SUBSTITUTION

THAT MIGHT TAKE PLACE WITH A YEAR-ROUND DIFFERENTIAL. SECOND, THE PROPOSAL CONTAINS AN EXPLICIT PROHIBITION AGAINST DISCHARGING OR TRANSFERRING CURRENT EMPLOYEES THAT IS BUTTRESSED BY SEVERE CRIMINAL AND CIVIL SANCTIONS.

AS IN ANY PROGRAM ESTABLISHED BY LAW AND REGULATION, PROBLEMS WILL EXIST IN THE ADMINISTRATION AND IMPLEMENTATION. DRAFTERS OF THE BILL, COGNIZANT THAT THIS INITIATIVE MAY NOT BE A CURE-ALL FOR THIS LINGERING AILMENT, PROVIDED THAT THE PROPOSAL ONLY ESTABLISHES A TEMPORARY PROGRAM EXPIRING IN SEPTEMBER,1987 THAT IS SUBJECT TO REVIEW BY THE SECRETARY OF LABOR. THIS WAS A CRITICAL ELEMENT IN OUR DECISION TO SUPPORT THIS LEGISLATION.

WE CAN NEITHER CONTINUE TO DUPLICATE THE MISTAKES OF PAST INITIATIVES NOR AFFORD TO WAIT ANY LONGER. WE MUST PROVIDE YOUTH WITH A "FIRST STEP" INTO THE WORLD OF WORK, A STEP THAT WILL FOSTER THE DEVELOPMENT OF JOB SKILLS AND WORK HABITS THAT WILL ASSIST THEM IN FUTURE CAREER DEVELOPMENT.

WE WISH TO COMMEND YOU, SENATOR HATCH, FOR YOUR PERSONAL COMMITMENT TO THE NATION'S YOUTH. YOUR INTRODUCTION OF S.2687 IS TO BE APPLAUDED. THE ASSOCIATION FULLY SUPPORTS YOUR EFFORTS AND THOSE OF THE COMMITTEE FOR THE PASSAGE OF THIS IMPORTANT LEGISLATION.

# # # #

Senator GRASSLEY. Thank you, Mr. Thomas.
Mr. Busken.

STATEMENT OF D. PAGE BUSKEN, BUSKEN'S BAKERY, CINCINNATI, OH, ACCOMPANIED BY GERARD PANARO, GENERAL COUNSEL, RETAIL BAKERS OF AMERICA

Mr. BUSKEN. Senator Grassley, my name is Page Busken. I am from Busken Bakery in Cincinnati, OH. To my immediate right and behind me is Gerard Panaro, who is general counsel for the Retail Bakers of America.

I am the immediate past president of the Retail Bakers of America, which is the national association for retail bakers. And we would like to thank you for inviting us here to testify.

Busken Bakery employs approximately 180 people, including quite a few young people. We do hire young people to work in the summers, and if they prove satisfactory, they will continue to work for us the year round, during seasonal holidays, and also after school.

There are approximately 32,000 retail bakeries in the United States, and they account for about $8.7 billion in sales. Retail baking is a labor-intensive industry. That means that most of the products which we produce and are sold in retail bakeries are made by hand and are made in relatively small quantities. Consequently, it is a very labor-intensive industry, with labor costs averaging between 30 and 45 percent of the total operating expenses.

There is, however, an opportunity for success in retail baking, even for individuals who start at a very low level.

We strongly support the passage of S. 2687 for the following reasons: Frist, it will create more jobs.

Second, it will allow bakers to hire extra people whom the bakery would not otherwise employ. Third, it will give them more time to determine whether a person is suitable for permanent employment.

Fourth, also, it will be much easier for us to use an existing legislation. For example, we have never used the Fair Labor Standards Act to hire six full-time students at 85 percent of the minimum wage, and we have never used the Job Training Partnership Act.

Quite frankly, we have avoided them because of the extent to which they require Government intrusion into our business.

We respect the Government's good intentions in this regard, but it has been our experience that the more Government intrudes in our business and the more it is involved, the more problems we frankly have.

We have used the Targeted Jobs Tax Credit Act. This is attractive to us because it simply is a bottom-line tax credit. But it has been difficult for us to find qualified applicants under this particular legislation. Right now, in fact, we have no one working for us who would qualify for this credit.

The bill we are discussing today permits the employment of anyone under 20 years of age, not just narrowly defined target groups. It does not require prior governmental approval or additional paperwork.

Aside from providing some income to the people who find work as a result of this bill, it will enable them to learn responsibility, to experience success and failure, and to learn what their skills really are, as well as the ability to manage money.

This, I would like to emphasize, is a very important aspect of the issue we are discussing. I think this has been brought out by many people today. Having personally hired and seen many young people begin their first work experience, I can testify to the long-range—and I emphasize the long-range effects—this kind of experience can have on our society as a whole.

I have seen many young people, both black and white, who have gained great self-confidence, built their selfesteem, developed responsible attitudes, and gained a small degree of financial independence through having a job, through having any job.

This will also benefit the consumer. More employees mean more services. And for retail bakers, an additional employee who would otherwise not have been hired could mean that they would have the opportunity of trying to develop new products, of extending their store hours, of expanding their delivery capacity, of trying new concepts having more people to wait on customers, and enhancing the overall attractiveness of their bakeries.

Our bakery indeed would take advantage of the chance to hire young people at a starting wage of $2.50 an hour for the summer months. We will certainly not lay off older people, more experienced people, or regular employees, to do so. As a businessman, I find this point particularly disconcerting, baseless and hard to understand, for it would not be an issue in our industry. It would be only a shortsighted decision and would undoubtedly lead to the ruin of our business if we were to make such a decision.

Under this legislation, at $2.50 an hour we could afford to hire at least one additional person during the summer, and perhaps more. For example, the cost of three employees at $3.35 an hour is $10.05 an hour. Under this legislation, for $10 an hour we could afford to hire and pay four qualified employees as opposed to three.

We should not regard this legislation as being of benefit to the employers only. It would be of even greater advantage to the people it is intended to help. After all, we as owners and operators of our own businesses and employers of others already have a job and we already have an income. But to the potentially hundreds of thousands of young people who otherwise would not find work, this legislation could be of incalculable value.

On behalf of the retail bakers, I can promise you that if this bill were to become law, we would do everything we could to educate our members as to its provisions. We will advise and encourage them to use the law by hiring new and additional employees. And we also appreciate the fact that this bill, if it should become law, would become a responsibility to us as employers to make it successful. The success of it would rest upon our shoulders.

We feel that we all deserve the promise that this legislation holds out. Thank you.

[The prepared statement of Mr. Busken follows:]

STATEMENT

of the

RETAIL BAKERS OF AMERICA

Before the

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

In Support of

S. 2687, THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984

Monday, June 18, 1984

Washington, D.C.

TESTIMONY OF THE RETAIL BAKERS OF AMERICA ON YEOW
Sen Comm on Lab and Hum Resrcs, June 18, 1984

Good afternoon. My name is Page Busken and I am one of the owners, along with my brother and father, of Busken's Bakeries in Cincinnati, Ohio. I am also the Immediate Past President of the Retail Bakers of America, the national association for retail bakers. I am pleased indeed to have been invited today by the Labor and Human Resources Committee to testify in favor of the Youth Employment Opportunity Wage Act of 1984, S. 2687.

Busken's Bakery was founded in 1928 and has been in business for the past 56 years. We have 11 outlets, three in downtown Cincinnati and 8 in suburban areas. We employ 180 people, on both a full-time and part-time basis. We do employ quite a few young people and do hire youth to work in the summer, with the expectation that if they prove satisfactory, they will continue to work with us year round, as their school schedules permit.

The Retail Bakers of America was founded 66 years ago, in 1918. The association is the official national voice for the approximately 32,000 retail bakeries in America. Our association includes two types of retail bakeries as members: single and multiple unit retail bakeries, including doughnut shops; and instore supermarket retail bakeries. There are approximately 17,000 independent retail bakeries and almost 15,000 instore supermarket bakeries in the United States. The independent retail bakeries will have approximately $4.23 billion in sales this year, while the instore supermarket bakeries will have approximately $4.5 billion in sales. These unit and sales figures do not include "specialty" retail bakeries, such as cookie and crossiant shops. (Source: Bakery Production and Marketing Magazine, Annual Trends, June, 1984 (Chicago, Illinois).)

The typical retail bakery is a family-owned business which does approximately $216,000 worth of business a year, although we do have a handful of members which gross over a million dollars a year in sales. The single retail bakery will employ between 15 and 25 people, both on a full and part time basis.

Retail baking is labor intensive and employees must undergo a period of training before they can do many jobs in a retail bakery, such as making up product or decorating bakery foods such as cakes and cookies. This is because the products sold in a retail bakery are made largely by handcraft methods, and in relatively small quantities, in response to a highly particularized demand. Also, almost by nature or definition, retail bakeries specialize in the creation of customized, oftentimes one-of-a-kind bakery foods, such as personalized birthday, wedding or other special occasion cakes.

TESTIMONY OF THE RETAIL BAKERS OF AMERICA ON YEOW
Sen Comm on Lab and Hum Resrcs, June 18, 1984

This is one reason why a retail bakery requires well-trained and supervised employees in certain positions; why retail baking is labor intensive; and why labor costs typically account for 30 to 45% of total operating costs (excluding the salaries of the bakery's owners). This is also why there is so much opportunity in retail baking, even for individuals who start at the very bottom or beginning of the business.

RBA has supported and advocated special minimum wages for young and/or inexperienced people for many years. For example, a panel of retail bakers testified before this very committee in 1981 on another minimum wage bill, a proposal to amend section 14(b) of the Fair Labor Standards Act to allow a special minimum wage equal to 75% of the current minimum to be paid to teenagers for a limited period. In fact, one of the witnesses for RBA at that hearing was one of our own employees, Mr. Harold Suggs, who is Distribution Manager for Busken's and still with us.

Today, we strongly support and vigorously urge passage of S. 2687 for the following reasons:

1. S. 2687 will provide an opportunity to employ people who may be very good candidates for future careers in the baking industry;

2. It will give employers a better opportunity to evaluate someone and to determine, without a prohibitive investment, whether that person can fit into a permanent position within the bakery.

3. It will create more jobs: it will give bakers a reason and the means to hire extra people whom the bakery would not otherwise employ. It will allow the baker to give someone a chance whom he would not otherwise hire because the labor costs would be too high.

4. It will be much easier to use than existing legislation designed to spur employment, such as sections of the Fair Labor Standards Act dealing with employment of students, learners and apprentices; the Targeted Jobs Tax Credit, and the Job Training Partnership

Act. This is because it permits the employment of any persons between the ages of 16 and 20, not just narrowly defined "target" groups; and because it does not require prior applications, permits or certificates and does not entail any additional paperwork.

5. S. 2687 will obviously benefit the people who will be employed as a result of it in ways other than by providing some income. Work is a very positive experience: it enables one to learn responsibility, to experience success and failure, to learn what one is good at, and to manage money. The earlier young people have the opportunity to gain these positive experiences for themselves through work, the better off they and society as a whole will be.

6. S. 2687 will benefit consumers. By enabling businessmen to hire extra people, it allows them to provide more services to their customers. For retail bakeries, this could mean trying new products that one has not had the time or resources to make before; it could mean providing additional services, such as extended hours, deliveries, more sales personnel to wait on customers; it could also mean enhancing the attractiveness of the bakery itself through additional maintenance work such as painting, landscaping, display work and equipment maintenance.

7. S. 2687 will also have beneficial consequences for society as a whole. Many people today, because they cannot find work, are totally ignorant of the work ethic; this results in apathy, selfishness, laziness, indigence, idleness and mischief, all of which have very bad consequences for the nation and serve to weaken and undermine our society.

TESTIMONY OF THE RETAIL BAKERS OF AMERICA ON YEOW
Sen Comm on Lab and Hum Resrcs, June 18, 1984

Let me elaborate on some of the statements I have just made.

Although we have made use of the targeted jobs tax credit, and have had very good experience with it, we have never used section 14(b)(4)(D) of the Fair Labor Standards Act, which permits the employment of up to six full time students at 85% of the minimum wage, nor have we ever used the job training partnership act. Quite frankly, we have stayed away from both the FLSA and the JTPA because we have no desire to make the government, in any form or arrangement, another partner, participant or manager in our business.

Even though we have used the targeted jobs tax credit, the fact is that we have no one who would qualify for the credit working for us now. This is because it is so hard to find people who qualify under the terms of the law. We do hope we will be able to employ some qualified individuals this summer; right now, we have two applicants. Our procedure is to go through local schools located in downtown Cincinnati. We contact the guidance counsellors at junior and senior high schools and tell them we are looking for qualified people to hire. Despite the effort we put into this project--we typically visit two or three schools once or twice a year--we receive only a few applicants for jobs. Thus, although we regard the targeted jobs tax credit very favorably, because it is a bottom line tax credit and does not intrude the government into our business, we find that despite our best efforts, the provision has a rather limited utility for us.

Aside from the statutory job programs, our bakery has its own internal apprenticeship program, the terms of which we have negotiated with the union which represents some of our employees. The fact of the matter is, however, that we have issued very few certificates of completion under this program. The main reason for this is that the program requires three and a half years to complete, which unfortunately appears to be too long for most of the people that apply for entry. We find that many participants in the program are not stable, career oriented employees and therefore drop out before they can finish their training.

Our bakery--and I am sure I speak for many other retail bakeries throughout this country--would certainly take advantage of the chance to hire young people at a starting wage of $2.50 an hour for the summer months. As I already stated, we do hire summer help, and we do actively seek applicants who will qualify for the targeted jobs tax credit. At the same time, this would certainly not lead to the layoff or dismissal of our older, regular, year-round employees. As a businessman, I find such an argument or fear baseless and hard to understand. Anyone who would attempt to replace experienced, year-round employees with untried novices who could work at the special wage for only five months would certainly ruin his business. After all, the difference between $2.50 for five months and $3.35 for five months is only about $700. While a $2.50 wage rate for the summer months would certainly make hiring an extra person or two an attractive and real option for us, we are equally certain that it would not tempt us to displace any of our current employees. When we hire someone, we do so with the hope and expectation that that employee will be with us for a long time. After all, our decision to hire that person and put him or her on our payroll is the same as an investment in that person, and sensible business people are always anxious and careful to protect their investments.

There are several reasons why we would most likely hire more people than otherwise if S. 2687 became law.

The first is simply that $3.35 per hour, small as it seems standing alone, is just too much, when multiplied by 40 hours in a week and four weeks in a month and five months of the summer; and when increased by the costs incurred in training by others, insurance, taxes and other benefits; for us to pay to hire very many people who are young, who have never had a job, who may lack any job skills, and who may only work for us for one summer and then be gone. In the case of students who will return to school in the fall and may not be interested in working, or able to work part time during school, by the time we have trained them, the summer is over and we have lost the benefits that would have accrued to us after the training. In other words, we have lost our investment.

The cost of three employees at $3.35 per hour is $10.05 per hour; however, under S. 2687, for only $10.00 an hour, five cents an hour less, we could afford to hire and pay four qualified employees. This means that we could create one entirely new position that did not exist before, and take on one more employee whom we would not have hired otherwise. Thus, for every three employees at the regular minimum wage, four people could be employed under the wage allowed by S. 2687. To my mind, this proves that far from leading to a loss of jobs for some people, S. 2687 will actually result in the creation of more jobs for people who otherwise could not find work.

S. 2687 should not be seen as nothing more than a "gift", "free ride" or "windfall" for exploitative employers. In our opinion, if S. 2687 is a legislative gift or boon to anyone, its recipients are all the individuals who are going to find work as a result of its passage. After all, let us be frank about this: those of us who own our own businesses and employ others already have a source of livehood and income. Much as we might wish to do more with our businesses and for our customers by hiring more employees, the simple fact is that we are already accomplishing much and providing much with what we have. In this sense, then, the passage of S. 2687 is hardly a matter of life or death to us.

But to the potentially hundreds of thousands of young people who otherwise would not find work this summer or next or perhaps for years; but who would see an expansion in the job market if employers were permitted to pay them a little less, for a short period of time, this legislation could be of incalculable value.

Work gives a sense of mission, purpose and importance to life so fundamental and compelling that we virtually identify who we are by what we do. Indeed, it is not an exaggeration or misstatement of fact to say that work has a religious dimension apparent from the bible itself. God himself is described as having rested from his "work" of creation and His first command to the human race in Genesis is to conquer the earth and subdue it; to be masters over the earth and have dominion over it. And many of the sayings of Jesus deal with the subject of work. Inherent in the meaning of "vocation" is the idea of work as fulfilling the will of God (Webster's Third New International Dictionary (1976 edition) gives as the first definition of this word: "a summons from God to an individual or group to undertake the obligations and perform the duties of a particular task or function in life.")

Psychologists tell us that one of the three most traumatic experiences we can ever have in life is the loss of a job. The newspaper stories and photographs of hundreds or thousands of people lining up outside of new plants literally a day or two before interviewing day demonstrate that this is so. Indeed, the New York Times edition of only last Thursday carried a front-page photograph of police "...bringing down a 16-year-old youth who threatened to jump from the fifth-floor height of a crane..." The caption quoted a police officer as saying "...the youth...was crying that he had lost his job as a wallpaperer." Nor is it only the high-paying or "glamorous" or "important" kinds of jobs which give meaning to people's lives; even the "humblest" jobs do the same thing.

It follows, therefore, that one of the greatest gifts or benefits one person can give or another can receive is the chance to work. It is in this sense that legislation such as S. 2687 is far more important to potential employees than it is to existing employers, who after all already have work, enough and plenty, to do.

Moreover, work is not only important to the individual, but it is also important to society and to civilization itself. It is common historical knowledge that from the time of ancient Rome to this very day, whenever great masses of people find themselves idle and unable to work, despite their most strenuous efforts and strongest desires to do so, the nation to which they belong experiences upheaval, revolution, and eventual decline.

For all these reasons, then, and for all these elements of our society--employers, would-be employees and the citizens generally--legislation such as S. 2687 ought to be enacted into law.

On behalf of the Retail Bakers of America, I can promise you here and now that if this bill becomes law, we will do everything we can to educate our members as to its provisions and to advise and encourage them to use the law by hiring new and additional employees under its provisions. We fully understand and appreciate that if this bill becomes law, it will be up to us, its friends, advocates and supporters, to prove it a success.

We all deserve the promise this legislation holds out.

Respectfully submitted:

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Senator **Grassley**. Before I call the next two to testify, I have to go vote now. It's the second set of bells. I think because of time, I will ask you to continue, because I don't know exactly when I will be back if there are two votes in a row. And because of the time, I think you better keep going.

So would you proceed then?

STATEMENT OF JAMES KONDOR, PRESIDENT, KONDOR'S THRIFTWAY, WINTER HAVEN, FL, ACCOMPANIED BY THOMAS F. WENNING, EXECUTIVE VICE PRESIDENT, NATIONAL GROCERS ASSOCIATION

Mr. **Kondor**. Good afternoon. My name is James Kondor, owner of Kondor's Thriftway, of Winter Haven in Florida. Seated next to me is Tom Wenning, executive vice president, National Grocers Association.

I am a member of the board of directors of the National Grocers Association, which represents over 1,600 independent grocers, 65 retailer-owned warehouses serving more than 28,000 food stores, and 56 State and local food associations.

I wish to commend the chairman and this committee for holding a hearing on S. 2687, the proposed Youth Employment Opportunity Wage Act, and for providing NGA the chance to comment on ways to provide employment opportunities for young people during the summer months.

My comments today will focus on the effect of the minimum wage on youth employment in the grocery business as well as on the merits of the current proposal as an incentive for the food distribution industry to hire additional youth.

The retail grocery industry has traditionally been a larger employer of teenagers for customer services, including bagging, carry-out groceries, retrieving carts, et cetera. As the Federal minimum wage increased 46 percent from 1977 through 1981, retail grocers had to reconsider whether to retain such employment opportunities. Despite a willingness and desire by retail grocers to train and employ teenagers, economic conditions reduced teenage employment opportunities in food retailing.

In 1981, the National Association of Retail Grocers of the United States, NARGUS, one of NGA's predecessor organizations, surveyed retail grocers to evaluate the impact of the minimum wage on consumers, employees, and retail grocers. The 550 retail grocer enterprises, operating 2,555 food stores, responded to the survey. Over 70 percent of the retail grocers responding to the survey decreased the number of teenage employment opportunities.

Under present law, retail grocers have the opportunity of employing full-time students at 85 percent of minimum wage. While there are approximately 179,000 grocery stores in the United States, the U.S. Department of Labor estimates that only about 3,000 food stores used the full-time student certificates in 1984, down from about 3,00 in 1981. This alternative is inadequate, ineffectual, and a bureaucratic nightmare for retail grocers.

Unemployment for teenagers is currently around 19 percent, with a black and other minority teenage unemployment rate around 50 percent. In March 1984 almost 500,000 black teenagers were listed as unemployed. Many of these young people are unemployed because they lack the experience to earn the minimum wage and are unable to find jobs even in the summer months, when youth employment is at its peak.

Providing a youth opportunity wage would enable retail grocers to establish and expand youth employment opportunities. In addition to traditional supermarket jobs, teenagers could perform such tasks as assisting elderly shoppers or women with small children. These tasks are often not cost effective under current wage rates and are often foregone by retailers in favor of more essential business functions.

Stores that provide such shopper services not only retain more customers and enjoy greater visibility, but also create job opportunities for youth which are not feasible at the current rate. These young people would gain essential human-resource skills in addition to a wage.

Finally, I would like to address some of the opposing arguments to the proposed youth opportunity wage. First, opponents claim that a youth differential will result in employers firing older workers and hiring teenagers. As a retail grocer, I am not going to hire a teenager at a low wage to replace a higher paid experienced employee. It makes no sense to fire a productive employee in a position of responsibility, and hire an employee with little or no experience. An employer who had engaged in such a practice would likely jeopardize employee morale, gain an unfavorable reputation, and have trouble attracting prospective employees with valuable skills and qualifications.

Another argument against the youth opportunity wage is that employers will fire teenagers and replace them with new teenagers at the youth opportunity wage level. Training of store personnel is an investment by the employer in the employee, for the betterment of the business. It takes time and money to train new employees. Little, if any, savings would result from continually replacing employees.

The Youth Employment Opportunity Wage Act of 1984 is a positive step toward reducing existing unemployment among youths, improving their chances for obtaining future permanent employment and providing appropriate incentives for employers in the food distribution industry to hire young people.

NGA supports the youth opportunity wage and will work toward accomplishing the goal of expanding teenage employment. On behalf of NGA, I wish to thank the committee for the opportunity to testify in support of the youth opportunity wage.

[The prepared statement of Mr. Kondor and additional material supplied follows:]

STATEMENT
ON
S. 2687

BY

JAMES O. KONDOR

ON BEHALF OF THE

NATIONAL GROCERS ASSOCIATION

BEFORE THE

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JUNE 18, 1984

INTRODUCTION

Mr. Chairman and Committee members, I am Jim Kondor, a member of the National Grocers Association Board of Directors and the owner of Kondor's Thriftway of Winter Haven in Florida. I operate seven grocery stores in central Florida, with three stores in Polk County and 1 store in Hardy County. Both areas have high teenage unemployment rates.

The National Grocers Association (N.G.A.) is a national non-profit trade association representing 1600 independent retail grocery firms, 63 retailer-owned cooperative warehouses which service over 28,000 independent grocers, and 57 state and local food associations. N.G.A. members serve consumers in every type of community -- urban, rural, suburban and inner city -- by operating supermarkets, small and medium size grocery stores, as well as warehouse and convenience stores.

I wish to commend the Chairman and this Committee for holding a hearing on S. 2687, the proposed Youth Employment Opportunity Wage Act, and for providing N.G.A. with the opportunity to comment on ways to provide employment opportunities for young people during the summer months. My comments today will focus on the effect of the minimum wage on youth employment in the grocery business, as well as on the merits of the current proposal as an incentive for the food distribution industry to hire additional youth.

YOUTH EMPLOYMENT IN THE GROCERY BUSINESS UNDER THE MINIMUM WAGE

Since food retailers were first covered as enterprises under the Fair Labor Standards Act in 1961, grocers represented by N.G.A. have had a close and continuing interest in the impact of this law.

The retail grocery industry has traditionally been a large employer of teenagers for customer services, including bagging, carrying out groceries, retrieving carts, etc. As the federal minimum wage increased 46 percent from 1977 through 1981, retail grocers had to reconsider whether to retain such employment opportunities. Despite a willingness and desire by retail grocers to train and employ teeagers, economic conditions decreased teenage employment opportunities in food retailing.

In 1981, the National Association of Retail Grocers of the United States (NARGUS) (one of N.G.A.'s predecessor organizations) undertook a survey of retail grocers to evaluate the impact of the minimum wage on consumers, employees, and retail grocers. Five hundred and fifty retail grocery enterprises operating 2555 food stores responded to the survey. The retail grocers responding employed over 60,000 employees, approximately 52 percent were part-time and 48 percent were full-time. The final report was submitted to the Minimum Wage Study Commission. Over seventy percent of the retail grocers responding decreased the number of teenage employment opportunities.

Under present law, instead of paying the minimum hourly wage or decreasing teenage employment opportunities, retail grocers have the option of employing full-time students at 85 percent of the minimum wage. While there are approximately 179,000 grocery stores in the United States, the U.S. Department of Labor estimates that only about 3,000 food stores used the full-time student certificates in 1984, down from about 3,700 in 1981. This alternative is inadequate, ineffectual, and a bureaucratic nightmare for retail grocers.

The regulations on employing full-time students at 85 percent of the minimum wage require special certification. Any retail grocery employer, including single units and multi-stores, may employ no more than six full-time students at 85 percent of minimum wage without prior Department of Labor authorization. To employ more than six full-time students, applications must be submitted for each store and employment may not commence until approval from the Department of Labor has been received.

A limit of 10 percent of the total monthly hours of all employees is imposed for employers seeking to employ more than six full-time students, unless a higher percentage monthly allowance can be established by historical information. It is difficult for an establishment to have a sufficiently high monthly hour total for employees to meet the 10 percent limitation. For example, it would take 16,000 hours or approximately 100 full-time employees to allow employment of 10 full-time students for 40 hours per week during vacation periods.

The effect of these paperwork and regulatory burdens has been to eliminate the incentive for retail grocers to hire full-time students. As a result, retail grocers have curtailed employment opportunities for youth. If employment opportunities for teenagers are to be expanded Congress must act to eliminate the paperwork and red tape.

CURRENT PROSPECTS FOR TEENAGE EMPLOYMENT

Unemployment for teenagers is currently around 19 percent, with a black and other minority teenage unemployment rate around 50 percent. In March 1984 almost 500,000 black teenagers were listed as unemployed. Many of these young people are unemployed because they lack the skills and experience to earn the minimum wage and are unable to find jobs even in the summer months, when youth employment is at its peak. For example, in July 1983, only 54 percent of all white youth and 37 percent of minority youth were able to find jobs. Studies estimate that each year of work experience for a young individual is associated with a subsequent and permanent increase in wages of approximately 10 to 20 percent.

The Youth Employment Opportunity Wage Act of 1984 (S. 2687) is a positive step toward creating summer job opportunities for teenagers in the retail food industry. The legislation would permit the employment of teenagers ages 16 to 19 at $2.50 an hour from May 1 through September 30. It would prohibit employers from firing current employees to hire teenagers. Employers would also be prohibited from lowering the wage rate below $3.35 for any youth who has been employed by the employer at any time 90 days prior to May 1 of each year. The entire program would expire in 1987, and the Labor Department would have to submit a report on the effects of a youth wage to Congress.

The basis of the youth opportunity wage is to provide entry level jobs for teenagers. After gaining some work experience those teenagers will undoubtedly have the same opportunity for advancement as other employees. Hiring teenagers to replace experienced managers, clerks, stockers, and other employees in retail food stores does not make economic sense. However, providing a youth opportunity wage would enable retail grocers to establish and expand youth employment opportunities.

In addition, teenagers could perform tasks which greatly contribute to customer and community relations of a store, such as assisting elderly shoppers or women with small children. These tasks are often not cost effective under current wage rates and are often foregone by retailers in favor of more essential business functions. Stores that provide such shopper services not only retain more customers and enjoy greater visibility, but also create job opportunities for youth which are not feasible at the current wage rate. These young people would gain interpersonal and human resource skills in addition to a wage.

ANSWERS TO ARGUMENTS AGAINST THE SUBMINIMUM WAGE

Numerous arguments have been raised against creating a youth opportunity wage for teenagers. I would like to address some of those arguments today.

First, that a youth differential will result in employers firing older workers and hiring teenagers. As the N.G.A. report indicates, increases in the minimum wage have decreased employment opportunities that have traditionally been available to teenagers in food retailing. In effect, the teenage job market in food retailing is shrinking or being eliminated. A youth opportunity wage will reverse this trend. As a retail grocer I am not going to hire a teenager at a low wage to replace a higher paid employee. The key to economic survival in the retail food industry is productivity. It makes no sense to fire a productive employee in a position of responsibility and hire an employee with little or no experience.

Besides if this argument were true, employers today would be firing employees earning above the minimum wage by the thousands and replacing them with individuals at the minimum wage level. No study of the federal minimum wage that I am aware of has ever given serious credence to this theory in practice. Certainly, the Congress has not been overcome with cries to take action. From an employee relations point of view an employer who engaged in such a practice would likely jeopardize employee morale, gain an unfavorable reputation, and have trouble attracting prospective employees with valuable skills and qualifications.

Another argument against the youth opportunity wage is that employers will fire teenagers and replace them with new teenagers at the youth opportunity wage level. As mentioned earlier, training of store personnel is an investment by the employer in the employee for the betterment of the business. It takes time and money to train new employees. Little, if any, savings would result from continually replacing employees. One of the best assets a retail grocer can have is a stable reliable workforce.

S. 2687 would subject an employer to severe penalties for engaging in a pattern or practice of substituting young workers earning the youth opportunity wage for older workers earning at least the minimum wage, or terminating young employees and employing other young employees in order to gain continual advantage of the youth opportunity wage. Employers would not only be subject to backpay penalties, but also to fines of up to $2,500 for the first offense and up to $10,000 for subsequent offenses. The penalties provided are a strong deterrent to employer abuse of the youth opportunity wage.

CONCLUSION

The youth opportunity wage offers employers an incentive to maintain and develop employment for youth. Continuing and persistent high unemployment of America's youth denies a vital private sector work experience. The advancement of our nation's productivity requires a commitment to providing as many teenagers as possible the responsibilities and benefits of employment. N.G.A. supports the youth opportunity wage and will work toward accomplishing the goal of expanding teenage employment. On behalf of N.G.A., I wish to thank the Committee for the opportunity to testify in support of the youth opportunity wage.

EMPLOYMENT OF STUDENTS BELOW REGULAR MINIMUM WAGE

1. **Definition of Student.** To be eligible for employment at special minimum wages, the individual must be a "full-time" student receiving primarily daytime instruction at the physical location of an accredited school. The student must be at least 14 years old. No maximum age limitation applies.

2. **Hours of Work.** Students will be permitted to work at special minimum wages outside scheduled hours of instruction, and for not more than 8 hours a day. When school is not in session, they cannot work more than 40 hours a week. When school is in session, 20 hours is the maximum time they may work in one week, except that when a full-day holiday occurs on a day when the store is open, the 20 hours weekly limitation may be increased by 8 hours for each holiday.

3. **Special Minimum Wage.** A student may not be employed at less than 85% of the regularly applicable minimum wage.

4. **Child Labor Regulations.** Under child labor regulation 3, employment of 14 and 15 year old minors is limited to outside school hours and only between 7 a.m. and 7 p.m. (9 p.m. June 1-September 2). Three hours per day is the maximum on school days; 8 hours on nonschool days. Eighteen hours per week is the maximum in school weeks; 40 hours during nonschool weeks. In addition, any state and local child labor law must be met. When a student is less than 18 years old, restrictions apply on hazardous occupations for minors.

5. **Retail Or Service Establishment.** If paid below the regular minimum wage, the student must be employed in a retail (or service) establishment defined as a store at least 75% of whose annual sales is not for resale and is recognized as retail sales in the industry. If 25% of the annual sales or more is for resale, the store will not qualify.

6. **Full-Time Student Certificate.** A retail "*enterprise*" may employ no more than six full-time students at not less than 85 percent of the regular minimum wage rate without prior authorization by the Department of Labor. This special procedure is conditional on the employer forwarding a properly completed application to the Wage and Hour Division not later than the start of the student employment. Retailers wishing to take advantage of this special provision for the first time should request their Wage Hour office to send them Application Form WH-200 *before* employing a full-time student at less than the regular minimum wage rate.

   Unless the special provision concerned with six or less full-time students applies, a retailer may not employ a student at a subminimum wage without first applying for and receiving a full-time student certificate for each store where such student employment is to take place. Each certificate is good for one year and is renewable. Application and renewal forms may be obtained from a U.S. Labor Department Wage and Hour Regional office. Forms are filed in the Regional office.

   If more than six full-time students paid less than the regular minimum wage are to be employed on any workday, the retailer must show such employment will not create a substantial probability of reducing the employment opportunities for persons other than those employed under the certificates. Also, a strike or lockout must not exist at the store for which a certificate is sought. A certificate will not be issued where a wage reduction for a current employee will result.

   The allowable extent of full-time student employment under a certificate varies depending on whether: (1) the employer proposes to employ no more than 6 full-time students at subminimum wages; (2) the employer requests authority for not more than 10 percent of the total hours of all employees during any month; or (3) the employer requests authority for student employment exceeding 10 percent of total hours of work of all employees during any month.

7. **Applications For No More Than 10 Percent of Total Hours of All Employees During Any Month** are more easily granted since they do not require, or depend on, a past practice of employing full-time students, and detailed historical employment records are not required.

8. **Applications For More Than 10 Percent of Total Monthly Hours Of All Employees.** The Administrator's regulations contain the following formulas for determining the proportion of student hours of employment under a full-time student certificate:

   (a) Stores Having Records of Hours Worked by Students and Covered by the Law Before May 1, 1974:

      (i) the proportion full-time students worked under a special certificate to total hours of all employees for the corresponding month of the preceding 12 month period or;

      (ii) the maximum proportion full-time students worked under a special certificate to total hours of all employees in any corresponding month before May 1, 1974, or;

      (iii) ten percent (10%) of the total hours of all employees during any month.

   (b) Stores Having Records of Hours Worked by Students and Covered by the Law For The First Time Under 1974 Amendments to the Act. (example store with sales of less than $250,000 covered for first time January 1, 1975, January 1, 1976, or January 1, 1977, depending on its sales volume):

      (i) the proportion of hours worked by full-time students to total hours of all employees in the store during the corresponding month from May 1973 through April 1974, or

      (ii) the proportion of full-time student hours of employment under certificates to total hours of all employees during the corresponding month of the preceding 12-month period (this alternative is not applicable to all months of the year until 12 months after May 1, 1974);

      (iii) ten percent (10%) of the total hours of all employees, during any month, whichever results in the highest ratio.

   (c) Stores Without Records of Student Hours Worked, the allowed proportion is based either on full-time certificate allowances or the ratio between actual student hours of employment to total hours of all employees for:

(i) similar store of same employer in same general metropolitan area, or

(ii) similar store in same or nearby community, or

(iii) other stores of same general character operating in the community, or nearby community.

9. **Records.** In addition to regular records the employer must keep, he must have information from the school attended that the employee receives primarily daytime instruction at the physical location of the school in accordance with the school's accepted definition of a full-time student. A record of monthly hours of employment of students and total hours of employment during the month for all employees in the store must be kept. All records are to be preserved for 3 years and made available for inspection.

10. **Note.** Retailers interested in employing full-time students at subminimum wages should ask their nearest Wage-Hour Division office for a copy of the Administrator's Interpretative Bulletin, Part 519, entitled "Employment of Full-Time Students At Subminimum Wages", as well as Wage-Hour application form WH 200 along with accompanying instructions.

STUDENT CERTIFICATES

1. **Introduction.** Food retailers should check their employment records to assure conformance with the Federal Wage-Hour law. A United States District Court has held that a food retailer willfully violated the minimum wage, overtime pay, and recordkeeping requirements of the Federal Wage-Hour law. The court found the food retailer violated the law by employing full-time students without obtaining student certificates and employing full-time students longer than 20 hours during school weeks. This statement provides a summary of *United States v. Nolen's Inc.*, 77 CCH LC 11 33,270, and current requirements of the law.

2. **Facts** disclosed that full-time students were being paid less than the minimum wage. The retailer contended he relied on advice given by the Wage and Hour Division, U.S. Department of Labor that full-time students could be employed at least 85 percent of the applicable minimum hourly wage. Nolan never applied for nor was granted, a certificate to employ full-time students for not less than 85 percent of applicable minimum hourly wage.

3. **The Federal Wage-Hour Law** was violated by (1) not obtaining a full-time student certificate and (2) employing students in excess of 20 hours during a school week. Good faith reliance is a defense. But in this case the employer failed to prove reliance on any written administrative regulation, order, ruling, approval, or interpretation of the Administrator of the Wage and Hour Division of the Department of Labor. Rulings or interpretations for this defense must be those of the *Administrator*, and not regional or field officials.

Ms. **Iverson**. Thank you very much.

I apologize for the fact that we are in this situation. We have no chairman. Everyone is over on the floor voting, and I am not sure exactly when Senator Grassley might be able to return.

This does happen to us occasionally, for which I apologize. But you didn't come all this way to Washington not to present your views conciusively or comprehensively. So what I would like to do, if you will bear with me, is ask the questions that Senator Hatch would have asked had he been able to stay.

One response to those concerned about adult displacement with a youth differential is that it wouldn't make much sense for a businessman to lay off an experienced adult employee with a proven record of dependability and competence just to save 85 cents an hour for only a 5 month period of time.

Is that an accurate assessment of business' attitude toward valued employees?

Mr. **Kondor**. I would say, yes, it is an accurate assessment. We would not lay somebody off for 85 cents an hour savings, not even $1 an hour savings. We really wouldn't.

Ms. **Iverson**. Mr. Busken?

Mr. **Busken**. Yes, in our industry that is a very accurate assessment, and I think I indicated that. That would be a very shortsighted decision in our industry to lay off a person who has skills and experience and dependability for a short-term $2.50 an hour person. That would be very shortsighted. It would not be an issue in our industry.

Ms. **Iverson**. How much time on the average does it take for you to train individuals? Probably, in Mr. Thomas' industry, it takes a little longer. That's an investment you don't want to give up easily.

Mr. **Thomas**. You know, I think that businessmen are constantly accused of being very, very cutthroat. And let's face it, if we want to be realistic about summer help, most of the summer help that the companies we represent could do with or without the help. All right. They basically hire because they feel that, "Hey, here's a commitment that we have to youth in our community to do something for them, to provide them some training."

I know, myself, right in our own office, now if I hire a young lady for $3.25 an hour, I know I am not going to get my $3.25 an hour. I mean that's a given when you bring that person on. And they can give you 50 percent of what somebody else was making, you know, most of them can. That's all you're asking for.

The main thing is that businesses, in order to—and we're talking about community businesses, people that work in sort of a region; I am not talking about businesses that are across the country—they are involved with youth for various reasons, and it's not just because of what they're going to bring to the table. It's what you can do for them while they are there: Can you get them to come in at 8 o'clock; can you get them not to watch the clock; can you get them to leave on time; can you get them to come back in on luncheon time; and overall, can you get some production out of them?

And I think that we have to look at that bill this way. We're not looking to get or to drain $2.85 out of anybody, or $2.35. We want to be involved and make sure that we're building some kind of foundation with our youth and to build some kind of work ethic with our youth which seems to have been lost over the last few years.

Ms. IVERSON. What kind of jobs would you anticipate opening up for youth if this were to become law? In particular, you can relate this to your own business, how many more young people you might be inclined to bring on if this bill were to become law.

Mr. KONDOR. I operate seven grocery stores in Florida and anticipate that, if this lelgislation is enacted into law, I could hire from one to two youths per store. Even assuming that I employ only one youth at each retail store, there are approximately 179,000 food stores in the United States, and if each one employed one youth during the summer months, it would go a long way toward achieving the goal of the legislation: to employ 400,000 youths during the summer months.

I can foresee numerous tasks for these summer employees. For example, they can work as bag boys to speed up my front end checkout procedure. I would put some of them to work in the backroom to keep it clean and better organized. In essence, these part-time youths would be able to focus upon jobs that are frequently ignored under the pressure of meeting payrolls.

Ms. IVERSON. Is that something that NGA might pursue as an organization, getting each one of your members to bring on, say, one extra person?

Mr. KONDOR. That asks for quite a commitment. I don't know how the rest of them would feel about that. I would like to defer that question to Mr. Wenning.

Mr. WENNING. I think it's a worthwhile project. We have been very active in the area of private sector initiatives, and we certainly would explore the issue with our membership.

Ms. IVERSON. Mr. Busken, did you have a comment on that?

Mr. BUSKEN. Well, we, too, would find a place for these individuals that would be helpful to our business. As we mentioned, in our industry we would probably be able to add one person, maybe two people in our bakery, and in each retail bakery. And we're representing 30,000-some bakeries.

What would those people do? I could see a number of things. One, I could see adding additional sales clerks and improving the service to our customers. I think we would all appreciate that.

I can see also even doing customer surveys and things that a retail baker doesn't get to do because he cannot afford the luxury of that type of research or studies, so to speak. There are many things that we could do to enhance our business with that added individual. I have no problem with that.

Ms. IVERSON. Why, in your opinion, don't more businesses take advantage of the student exemption and hire more full-time students? I am getting here to the question that has recurred this afternoon about the 85-percent differential for full-time students. And I know Mr. Kondor alluded to these reasons in his testimony. Did any of you want to expand on that?

Mr. THOMAS. In the construction industry, with all the cost certification that you're involved in, the Davis-Bacon Act and all the different employment things that you have to do, you just don't want any more paperwork. And that's basically why the companies that we represent have not gotten directly involved in that piece of legislation.

Ms. **Iverson**. Mr. Wenning.

Mr. **Wenning**. I have represented the retail grocery industry for over 10 years, including the period in 1977, when a provision was enacted that was supposed to make it simpler for employers to use the subminimum 85 percent rule. Under a Department of Labor regulation a retail grocer, for example, may employ no more than six full-time students at not less than 85 percent of the regular minimum wage rate, if he has made appropriate application to the Department's Wage and Hour Division. The restriction of six employees applies not to each individual grocery store, but to the employing company, regardless of the number of grocery stores which it may operate. Consequently, this special exemption program has a built-in limitation on the number of full-time students which can be hired. If an employer wishes to hire more than six full-time students, then the DOL regulation, a explanation of which I will gladly provide for the record, requires the employer to compile the total number of hours worked in each store since 1974 on a month-by-month basis to access if the working hours of the full-time students will exceed 10 percent of total hours of work of all employees during any month.

In addition, there are additional record-keeping requirements with which the employer must comply, such as information from the full-time student's school and retain for 3 years. In the case of the retail grocery industry, when one begins to explain the various procedures and recordkeeping requirements to employers, they throw up their hands and say it's not worth it. Applications to DOL, certifications of full-time student's eligibility, computation of hours worked for all employees, retention of records for 3 years, and various other paperwork requirements discourage grocers from participating in this program and diminish the number of jobs available to full-time students.

Ms. **Iverson**. So we're really not just talking about simply sending back a postcard, as Mr. Denison indicated?

Mr. Panaro?

Mr. **Panaro**. To echo what Mr. Wenning just said, our industry is pretty similar. The main problems with the student exemption, are, first of all, many of our members say 85 percent just isn't worth it. It's just like having a store say, "Sale, 10 or 15 percent off." Most people think that's not very much. If they get 40 or 50 percent off, that's a sale.

But second, there is that limitation of six full-time students. And if I am not mistaken, it is on an enterprise basis. So it is not correct, for example, that McDonald's or Burger King could go out and hire 30,000 students. That is not correct at all.

Thirdly, the students aren't available certain hours. Some of the students aren't interested in doing that sort of work. But that's the main problem, that limitation of six.

If I could just take another 10 seconds with respect to the question you asked earlier in terms of displacement, anyone who raises that as a concern I think is not familiar with the Fair Labor Standards Act. This bill would amend the Fair Labor Standards Act. There is a section in the Fair Labor Standards Act which prohibits discrimination or retaliation against an employee for exercising any rights under the act. So if someone were to dismiss an employee under some provision of the Fair Labor Standards Act, there would be sanctions against that that are already in the act in addition to the sanctions provided for in this particular bill. So that is a false issue.

Ms. IVERSON. Just one final question. Do you believe that businesses would respond equally as well to legislation which would exempt young employees from payroll taxes which add to the direct cost of hiring young people? In other words, you've got the wage and then on top of that you have various payroll taxes. This is a new thought. Do you think that businesses would respond as well to a proposal which would, say, exempt them from, say, F.I.C.A. or unemployment compensation taxes?

Mr. THOMAS. I think they would be very favorable, but I don't know how OMB would look at that. But I think they would be very, very favorable to any kind of exemption to again reduce the paperwork.

Ms. IVERSON. We are just trying to make comparisons here.

Mr. Kondor?

Mr. KONDOR. On the income tax, if they were exempt from income tax, it would probably be an incentive. I don't see how we could possibly be exempt from F.I.C.A.

Ms. IVERSON. I have a feeling that would also be quite controversial, but that was a suggestion we had received.

Gentlemen, thank you very much. Once again I apologize for the fact that the Senators themselves couldn't hear the rest of your statements. Thank you very much for coming.

Mr. KONDOR. Thank you.

Ms. IVERSON. Our next witnesses will be Dr. Masanori Hashimoto, from the University of Washington at Seattle; and Dr. Finis Welch, from UCLA.

Ms. IVERSON. Both members of our economic panel this afternoon have published considerable research in the area of the minimum wage and its effects on employment. And I have personally read quite a bit of it, and am very impressed with it, as are all the members of this committee. And we appreciate very much the fact that you traveled a long distance to be with us this afternoon.

Dr. Hashimoto, could we start with you, please?

STATEMENT OF MASANORI HASHIMOTO, PH.D., ASSOCIATE PROFESSOR OF ECONOMICS, UNIVERSITY OF WASHINGTON, AND NATIONAL FELLOW, HOOVER INSTITUTION

Dr. HASHIMOTO. My name is Masanori Hashimoto. I am associate professor of economics at the University of Washington in Seattle, and a National Fellow at the Hoover Institution for this year.

I am pleased to have this opportunity to testify on behalf of the Youth Employment Opportunity Wage Act. I am very much in favor of this act, as I believe that it will go a long way in alleviating some of the harmful effects of the minimum wage law on this country's teenage workforce. In fact, I would prefer that the youth differentials be made permanent rather than just for the summer months and for the limited number of years that this act proposes.

However, given the reservations some people would have about such a step, I consider the current proposal to be an acceptable compromise and a healthy step in the right direction. Perhaps when the results of this experiment are in, further reforms will be possible.

The penalty provisions in this act certainly should help dispel any fear that the youth differential will lead to displacement of older workers and women. Even without such provisions, a youth subminimum wage is likely to confer more benefits than harm. For example, a study by Daniel Hamermesh, which by the way was commissioned by the Minimum Wage Study Commission, concludes that a 75 percent youth subminimum is likely to aid more teens than harm adults. Under some circumstances, the youth subminimum may in fact increase both teenage and adult employment, according to Hamermesh. This is also because the overall reduction in the labor costs may cause the scale of economic activities to expand and therefore increase employment across all age groups.

This act basically liberalizes existing FSLA provisions under the student-learner program and the full-time student program, to make it easier for employers to hire young workers at subminimum wage rates. Under the current law, employers must expend considerable time and effort in order to obtain the required certificates from the Department of Labor authorizing the use of these provisions.

In addition, there are restrictions as to the weekly hours of employment and the number of students that the employer can hire at subminimum wages. As a result, many employers consider these provisions not worth bothering with, and they have not been used extensively.

It is perhaps relevant to note here that Japan has had a minimum wage law since 1959, but the law has had few adverse effects on that country's labor market because the minimum wage levels have been set rather modestly and because they differ by region and industry to reflect differences in labor productivity, profitability, and the cost of living.

The available empirical evidence supports the argument that the minimum wage is harmful to the employment opportunities of young workers and offers a valid basis for this act. Indeed, the evidence from recent research by Robert Meyer and David Wise indicates that there is little net gain in the earnings of teenagers as a whole, because the loss of jobs suffered by some of these youngsters totally offsets any gains in the earnings of the ones xho manage to keep their jobs. This and other related evidence cast in doubt the existence of any potential antipoverty benefits of the minimum wage law.

The harmful effects of the minimum wage law extends beyond the loss of current employment. In particular, work experience during these years is critical if teenagers are to acquire essential knowledge about the world of work as well as valuable on-the-job training, each of which facilitates the pursuit of productive careers in their adult life. I call these factors training, for simplicity.

Research findings by Linda Leighton and Jacob Mincer, as well as the one by myself, indicate that the minimum wage law significantly reduces the training opportunities available for teenagers.

This reduction comes about in two ways: First, those who are thrown out of jobs clearly lose the opportunity to receive training; and second, those who remain employed but must be paid the minimum wage find that their employers are not willing to provide them with time on the job to learn valuable skills.

My current research in progress indicates that some of the teenagers who have been adversely affected by the minimum wage have turned to crime as a source of income. The incidence of teenage arrests in certain crimes increased after increases in the minimum wage. These arrests are mostly in connection with property-related crimes.

What is interesting about this finding is that the minimum wage law seems not to have affected the arrests for those in the 20–24-year category. This result is expected, as this labor group generally have a higher market value than teenagers and, as a result, are less affected by the minimum wage.

Also, teenage arrests for crimes not directly related to property have been unaffected by the minimum wage. These findings are consistent with the arguments that the minimum wage harms teenagers' labor market opportunities.

So in conclusion, I believe that there is no doubt about the harm that the minimum wage law inflicts on the labor market of young workers. These effects are manifest in high levels of teenage unemployment, low labor force participation rates, cutbacks in training, and even high crime rates in some areas. By enacting the Youth Employment Opportunity Wage Act, we will be making an important investment in the quality of the future adult work force.

Thank you.

Ms. IVERSON. Thank you, Dr. Hashimoto.

Dr. Welch.

STATEMENT OF FINIS WELCH, PH.D., PROFESSOR OF ECONOMICS, UNIVERSITY OF CALIFORNIA, LOS ANGELES

Dr. WELCH. Good afternoon. I am pleased to have been invited to testify concerning the proposed Youth Employment Opportunity Wage. We each have a personal obligation to protect our own self-interest. When we search for jobs, we do the best we can. But for some, the best isn't very good, and that's where issues of minimum wages arise.

Consider those who, when free to negotiate their own terms, find jobs only at low wages at less than some specified minimum. What kind of favor do we do if we say, "Your best isn't good enough, and unless you can find something better, something better than a minimum that's arbitrarily specified, you can't work"?

There is, of course, another side, because minimum wages specify terms for employers as well. Just as we tell some workers that unless they can do better, they can't work, we tell employers that if they want to hire, minimum conditions must be satisfied.

Workers who receive job offers always have the option of rejecting them, even if rejection implies remaining unemployed rather than working elsewhere. Employers who receive wage demands can also decline, either totally or in part. And they do.

This is not speculation. We all know from personal introspection that we try to avoid expensive items in balancing our budgets. We would be surprised if employers did not do likewise. There is by now an extensive literature showing that increased minimum wages reduce employment.

I personally have conducted four such studies, and if you are interested, I will be happy to answer questions about that.

Before moving to the discussion of the differential minimum for youth, I want to make it clear that I personally am opposed to minimum wages. I am opposed not because I do not care about those who would otherwise earn less, but because I do. Most of my professional research has been devoted to studies of traditionally disadvantaged groups. I am convinced that low wages predominantly reflect low productivity, and that the way to raise wages is to raise productivity. We cannot raise productivity by legislative fiat.

My view of minimum wages is that on balance they are simply perverse, doing the most harm for those they would seek to help. I recognize that elimination of wage floor is not in the short-run agenda, so I turn to the question of differentials.

First, consider the case against a youth differential. In doing so, recognize that there are plenty of adults who have low productivity, who are adversely affected by minimum wages. The empirical literature is not as clear about effects on adults, and this comes from the simple fact that low productivity workers constitute smaller proportions of prime-aged adults than of teenage groups. This is less true for older workers, particularly those, say, above 65 years, but employment determinants for them are more complex, and we have been less successful in isolating the effects of minimum wages.

There are two points to be made against the youth differential. The first is trivial. Youths have fewer family responsibilities and youthfulness is transitory in any case. Most of us get over being young.

The second point is more subtle and perhaps more cynical. My reading of public sentiment is that opposition to minimum wages has grown steadily during the past 15 years, largely as a result of the expanding volume of literature showing adverse employment effects. Almost all of this literature refers to effects on teenagers.

If a youth differential destroyed the empirical base, and if as a consequence the minimum wage for adults was increased, I would oppose the differential.

The proposal before you is that the summertime youth minimum be fixed at 75 percent of the adult minimum. The way the differential is to be introduced is to hold the adult minimum constant at $3.35 and drop the youth minimum to $2.50.

If instead the proposal was to hold the youth minimum constant at $3.35 and increase the adult minimum to $4.50, which would maintain the 25-percent differential, then I would oppose it. Similarly, I would oppose this bill if its successful implementation in any way contributed to an increased adult minimum.

The case for the youth differential is, first, that proportionately more youth would be advantaged. It really is an Employment Opportunity Act.

Second, the young years are the formative ones, and habits and attitudes developed when young are usually perceived as durable. I think I learned a lot working summers as a teenager, although what I did was unrelated to my subsequent profession.

For many, the tie between the early and subsequent career is more direct and the on-the-job training is more applicable. We are all aware of earlier times of formal apprenticeships, when the ability to earn low wages when young gave employers incentive to allow onsite accumulation of craft skills. Most of us who study career earnings patterns recognize that the early career is learning-intensive and assume that there are trade-offs in which learning intensity can be reduced in favor of greater current productivity.

Suppose the craft shops of the past had to contend with minimum wages. Don't you think that instead of using apprenticeships who had freedom to experiment with learning, craftsmen would have been more likely to rely on specialized helpers? Perhaps vocational schools would have developed for craft instruction, since even well-intentioned legislators have not argued for minimum wages for students for time spent attending school.

If you are asked to consider a short-run experiment—this is one—it would permit some young people to work during summers who otherwise would be unable to do so. I think it's an experiment worth trying.

Thank you.

Ms. IVERSON. Thank you very much, Dr. Welch.

I have a few questions, and these few questions may even expand because you have raised others in your statements.

First of all, has there been a distinguishable discouraged worker effect among young workers unable to get jobs? Has either one of you done any work on that particular aspect of this issue?

Dr. HASHIMOTO. As a result of the minimum wage?

Ms. IVERSON. Yes. In other words, young people who simply drop out of the labor force because they have been——

Dr. HASHIMOTO. Yes. There is some evidence that the labor force participation rate is reduced as a result of minimum wage. So that's an indication of what you call discouraged workers.

Dr. WELCH. The clearest empirical evidence is that employment is reduced. The next strongest piece of evidence is that the labor force participation rate is reduced. And the weakest piece of evidence in the entire chain is that the unemployment rate is affected. The effect on the participation rate is almost comparable to the effect on the employment rate.

So, sure, there is plenty of evidence, and it's exactly the discouraged worker phenomenon.

Ms. IVERSON. Mr. O'Hara mentioned in his testimony that he felt the youth opportunity wage would be ineffective in lowering the unemployment rate, because as soon as young people started getting jobs as a result of the subminimum and then other young people believe there was a chance to get a job, they'd start coming back into the labor market, and therefore there would be little reflection in the unemployment rate. Do you have a comment on that?

Dr. **Welch.** I suspect he's right. That's a peculiar sense of ineffectiveness. He's saying that indeed his guess is it would find jobs for young people; however, this thing that we call the unemployment rate might not be affected.

Dr. **Hashimoto.** I agree that the best measure is with the employment rate—and unemployment rate statistics may not show much change because of its offset from labor force participation—but the fact that these additional workers are interested in getting jobs and come into the labor market is itself a positive effect of this act.

Ms. **Iverson.** While we've mentioned Mr. O'Hara's statement, I would like to ask one other question with respect to his testimony. He also did not believe that the youth opportunity wage would be effective because the gaps between the average industry wages and the statutory minimum wage were great enough that employers wouldn't respond to a subminimum.

What are your feelings about that?

Dr. **Hashimoto.** The average wage may be higher than $2.50 or whatever, but there is a whole range of wages, and a substantial number of teenagers are below or at these wages. And so they'll be definitely set. And I think in terms of the potential effects, the most reliable calculations I have seen is done by a study which was commissioned by the Minimum Wage Study Commission, but the Commission for some reason evidently chose not to take account of its findings. That's a study by Daniel Hamermesh, and he predicts a substantial increase in teenage employment as a result of the 75-percent subminimum in the order of 430,000 youngsters getting additional jobs, interestingly rather close to the figures we heard about today.

So I don't think it's correct to say that just because the average wage is way above $3.35 or $2.50, that there is not going to be an effect. The statement ignores the fact that there is a whole range of wages that other people get, or the distribution of wage rates.

Ms. **Iverson.** Dr. Welch?

Dr. **Welch.** I think the theory at least is very, very straightforward: the higher the minimum wage, the larger the effect of the 25-percent differential. And his comment in that sense was well taken. His agnosticism vis-a-vis point estimates and how accurate they are is something that we can disagree with. But I think the general point is that, relative to the average manufacturing wage, the minimum is low today by historic standards, is lower than the mean over the data span that's being estimated by people using Study Commission data. He is quite right on that point.

Ms. **Iverson.** It seems to me that he was arguing that the demand for labor is more inelastic, that not many more people would be hired, given a drop in the minimum wage.

Dr. **Welch.** No, that's not where it comes from. The idea is the heterogeneity idea where he's talking about that you've got people with a range of productivity. And if you impose a $10 minimum wage, you're knocking out a huge number of people. Now you drop to $7.50, so you've got 25-percent reduction. You pick up a very large number of people; you pick up more people than you would in a range of $3.35 to $2.50, just because of the way productivities are distributed. It's a mechanical artifact.

Ms. Iverson. Do you agree with the Labor Department's estimate that a 25-percent wage differential could create in the neighborhood of 400,000 new jobs, given the restrictions that it would be summer only and so forth?

Dr. Welch. I think the number is made up. It's anybody's guess, 400,000—I know the ingredients of the guess, and vis-a-vis availability of guesses, it's not an unreasonable one. I think it's much more to the point than the one predicted or the one carried in the Study Commission's report.

The summary of research in minimum wage area that was produced by the staff of the Study Commission is published in the Journal of Economic Literature in 1982. I am on the board of editors of that journal and actually reviewed that study when it was submitted.

The range of estimates that they find in an across-the-board increase or decrease in the minimum wage is 1 to 5 percent. My own work, I tended to find somewhere in the high side, but not at 5 percent—somewhat below that—associated with a 10-percent reduction in the minimum wage.

All right. If you're talking about 25 percent, that's 2.5 times. And if you take the mid range of that 1-to-5-percent guesstimate, you've got 2.5 percent times a something that's 2.5 times as large, so you get up around 6.3 percent.

Employment last summer for teenagers was 7 million, and that led to a point estimate of about 500,000. All right, to that, the way the 400,000 number was generated, they said:

Look, let's add something because the calculations in the empirical literature, the experiments that have been run have been across the board. Now, if we reduce the minimum for one but not for everyone, then some of the people who would have come in in the adult category in this range between $2.50 and $3.35, they're not coming in now because the minimum is not being dropped, would also be picked up in the youth drop. So let's add something for that.

A number was added. And then,

Now, let's take something away from the fact that we have interference from State laws where a number of the States that have minimum wage laws that at this day and time are totally redundant with Federal legislation, would not be under the youth differential.

And so they moved from 500,000 up to 600,000 and then down to 400,000. It's a very rough guess. I personally think it's a little inflated just because of the temporary nature of the summertime provision.

Dr. Hashimoto. Well, these are all forecast numbers, and like any other forecasts, they are going to turn out to be wrong when the actual act is enacted. That's inevitable.

The question is whether the ingredients that went into the calculations are sensible and take into account the most up-to-date information available. And as far as I could understand how those numbers were arrived at, the people who calculated them used the sensible, reasonable parameter estimates that are available in the literature, considered the relevance of substitutions away from adult work force, possible interference from the fact that some States are going to keep their $3.35 minimum wage and so this act may not be enforceable in those States.

So, I think, given the information we have, the number is in the ballpark. But, you know, I would have produced a range, if I were calculating it, of numbers using some alternative assumptions. And I probably would have come up with some low numbers and maybe some other higher numbers and produced some tables. But the numbers we heard were just single estimates of 400, and I believe that that 400,000 is going to be in the range of numbers that I would calculate using the same information.

Ms. IVERSON. So it might not be exactly right, but at least it's sort of in the ballpark?

Dr. WELCH. I don't think it's going to be too far off. It's what we call a straight-faced estimate.

Ms. IVERSON. Do you know of anything in the literature now, or any research that could be done in the future, with respect to the effects of minimum wage on teenagers employed in different regions?

For example, you can see various regional interests from the different States represented on this committee alone, we have the intermountain West represented, we have the deep South, we have the Midwest. What can you tell us about the regional effects of a youth opportunity wage proposal? Can you predict any particular response in different regions?

Dr. WELCH. The only cross-sectional work that I am familiar with—I guess there are a couple of studies. One that I did, there we looked at industrial composition simply because some industries were more intensive than low-productivity workers. But the main thing is simply that where wages are ordinarily are low, a uniform Federal minimum takes a larger bite, and so the data that I considered for 1970, the big bite was in the South, which was not very surprising.

Ms. IVERSON. Do you think that—right now we have a 3-year bill—do you think that 3 years is adequate time to make a comprehensive evaluation of this concept? Or should it be longer?

Dr. WELCH. Well, for research, I would say you've got a 2-year bill—excuse me, no, you've got 1985. OK. And with plenty of announcement, in fact.

Aside from confounding problems of cycles, business cycles, everyone saying that there is something special about these 3 years, it's long enough. It's a temporary program anyway, being seasonal. And so the long-run kinds of adjustments that one would worry about of a longer run program I think are not going to interfere.

Ms. IVERSON. Do you think that 3 years' worth of data would help evaluate this thing fairly conclusively?

Dr. WELCH. It's a very nice natural experiment. By the way, the interference with the States that would not be that much affected by this law offer a very, very nice beveling point because by contrasting what's happening to teenagers in those States to the rest of the Nation, I think that's the easiest and most direct way to go.

My concern would be with data collection. And you know, given that the experiment is being conducted, how is it to be monitored. And to be able to analyze it after the fact, of course, you would want to know that you have some data.

Ms. **Iverson**. I would just like to ask one other question. I have been waiting all afternoon for this particular panel, so I am going to ask these particular questions.

What factor do you believe contributes most significantly to future employment and earnings potential? We have heard testimony that has said that formalized education and training programs are essential to develop a long-term earnings potential. Other research has indicated that employment, labor force attachment, and so forth, at early age makes as much of a difference, if perhaps not more, than formal education.

Which of these two do you think is of greater significance, or how do they work in combination with each other?

Dr. **Hashimoto**. Well, I think one simple thing we could do to ensure prosperous employment opportunities for future young people is to remove those hinderances which exist now through the minimum wage laws, and enable employees to pay for their own on-the-job training by accepting whatever wage they work. And so I would say that next to formal education, I think the value of work experience is potentially incalculable. And to the extent that minimum wage does hinder that, the acquisition of this experience—and there is some evidence to that effect—I would let the private sectors offer on-the-job training and skill formation of young people.

Dr. **Welch**. I think, if I remember the research correctly, my recollection is that if you get out to age 24 to 25, and you know what a person is doing when he's 16 or 17, whether or not a person was working at 16 or 17 has a bigger kick in terms of income at age 24 or 25 than a year of schooling does.

It's hard to interpret that result. To say that, you know, if the minimum wage creates new jobs for a lot of people or if a youth differential does, if it's going to have the same kind of effect, because what you're talking about is sort of the kinds of persistent differentials among people, of personal attributes that happen to be correlated with the fact that some did work and others did not at age 16 or 17. And those are the kinds of things that we're very bad at, or it's very hard to tickle out of data. And so we don't know how important the pure experience gain really is.

My guess is that in terms of the durability of the experience, it's not very important. In terms of acculturation, of sort of learning that maybe what one does has an effect on what one becomes is pretty important. And in that sense, I think employment of youth is an important phenomenon.

Ms. **Iverson**. So basically, then, employment as a teenager could be equally as beneficial to an individual as enrollment in, say, a job training program?

Dr. **Hashimoto**. These are not mutually exclusive opportunities either. A lot of teenagers work part-time or on Saturdays. And you know, it is quite conceivable that instead of working all four Saturdays per month, now they are allowed to work for only three Saturdays, and that's basically moving to part-time employment opportunities. So that's a cutback in employment.

Dr. **Welch**. The vocational skills that are being picked up as a teenager are not only relatively unimportant, are becoming less so as we become more highly educated, a more specialized society.

What one picks up sort in early years is just learning that you can be responsible for what you do. And I think the place to learn that is in a crucible of evaulation by other people, where there is some responsibility.

Ms. **Iverson**. What I was getting at is the idea that Federal job training programs can only handle *x* number of young people because there are only *x* amount of dollars available. What happens to those young people who are the 101st person at the door and don't get into that job training program, but yet they are able to secure a job at $2.50 an hour. Perhaps that particular young person didn't necessarily lose anything at all in terms of future earnings and that young person may be equally as well served.

Dr. **Welch**. Well, my point was that the job training program that doesn't hold the individual responsible, how he performs, or the youth entitlement program that says, "You're entitled to a minimum wage irrespective of the evaluation of your employer," I don't think is as valuable a piece of experience as being there with responsibility for what you do in determining your success in employment.

And I think that's what's really important about what kids learn.

Ms. **Iverson**. Well, I do appreciate your indulgence, Dr. Welch, Dr. Hashimoto. I am very sorry that the Senators could not stay to hear your testimony and to ask you their questions. I am sure that several Senators will be sending you questions in the mail for the record.

And I also want to say at this point, too, that the fact that Senators had to go vote and Senators had afternoon appointments that could not be broken, and so forth, does not indicate in any way a lack of interest in this issue, or your comments about it.

And I know for a fact that this hearing record will be extremely important in the future of this legislation and how far we are able to take it. And the arguments that have been made on both sides, I am sure, will be very widely read and studied.

Thank you so much for being with us.

Dr. **Welch**. Thank you very much.

[Additional statements received for the record follow:]

Additional Statements Received for the Hearing Record:

John J. Motley, III, Director of Federal Legislation, National Federation of Independent Business

American Farm Bureau Federation

Service Employees International Union, AFL-CIO

Benjamin Y. Cooper, Senior Vice President for Government Affairs, Printing Industries of America, Inc.

Jake Alarid, National Chairman, American G.I. Forum of the United States

Francis M. Lunnie, Jr., Assistant Vice President for Industrial Relations and Director for Labor Relations, National Association of Manufacturers

Albert D. Bourland, Vice President for Congressional and Political Affairs, Chamber of Commerce of the United States

Bernard Anderson, Ph.D., Director, Social Sciences, The Rockefeller Foundation

Gerard F. Hurley, Executive Director, National Club Association

NFIB National Federation of Independent Business
The Guardian of Small Business

STATEMENT OF

JOHN J. MOTLEY III
DIRECTOR OF FEDERAL LEGISLATION

NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Before: Senate Committee on Labor and Human Resources

Subject: S. 2687, The Youth Employment Opportunity Wage Act of 1984

Date: June 18, 1984

Mr. Chairman, NFIB, representing over a half million small and independent business members, appreciates the opportunity to testify on our strong and enthusiastic support for S. 2687, the Youth Employment Opportunity Wage Act of 1984. We commend you, Mr. Chairman, for holding this hearing.

NFIB members employ over 7 million American workers whose firms range across a broad spectrum of the nation's economy--manufacturing, construction, transportation, wholesale, retail, agriculture, financial services, the service sector, and the professional industry. Those industries represent a true cross-section of the American small business community.

Federal Legislative Office
600 Maryland Avenue, S.W.
Washington, D.C. 20024
202 554 9000

I. Small Business' Role in Our Economy

The economic greatness of the United States has been built on the firm foundation of small business. It is the backbone and lifeblood of our system of free, competitive enterprise. Small business maintains the challenge and competition essential to a free enterprise system. Individual small firms may be very small; however, in the aggregate they make up an extraordinarily important part of our economy. Consider the following statistics:

-- small business accounts for nearly 99 percent of all the firms in the United States;

-- small business creates 42 percent of our Gross National Product;

-- small firms provide over 50 percent of the private employment in the United States;

-- small business provides either directly or indirectly for the livelihood of over 100 million Americans;

-- small firms are flexible and innovative and produce over half of all the important industrial inventions and major innovations in the United States; and

-- small businesses with under 20 employees generated all of the net new jobs in the economy between 1980 and 1982.[1]

Unfortunately, this impressive array of statistics and facts can be misleading. While small business plays a large and important role in our economy, it is faced with a constantly dwindling share of the country's economic activity and wealth. Small businesses are heavily in debt, and many are in danger of failing. Small business balance sheets often reveal that liabilities exceed assets and they are unable to absorb the numerous costs that result from inflation and high interest rates. Business failures which lead to bankruptcies are commonplace.

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[1] U.S. Small Business Administration, The State of Small Business, Washington, DC: Government Printing Office, 1984, p. 25.

Rising labor costs put a particularly heavy burden on small businesses. NFIB members are among those firms burdened by labor costs. Small employers have been forced to lay people off whenever statutory wage rates are increased.

Rising labor costs have compelled small business owners to cut back on services and product quality as well as labor. Larger competitors who are better able to pass on the increased costs do not have to compromise these aspects of their businesses. The result is that small, labor intensive firms have difficulty competing with larger competitors.

In addition to economic conditions, the availability of labor, and competition from big business, small business owners must also take into consideration the impact of government on their firms. Paperwork is proliferating out of control. It imposes at least a $100 billion burden on the economy, with more than half of that amount borne by business. Many Federal laws are suffocating the small entrepreneur under an avalanche of restrictive regulations which sap his time, funds, and productive energy, inflicting unintended penalties on the small business owners and their employees.

The time has come for the government to pay attention to the unique problems of small firms. Small business issues and concerns must be heard, recognized, and addressed. If we do not listen and respond, our economy will suffer irreparable damage, and the United States will be forced to relinquish its position of economic prominence.

NFIB members voted in 1981 to support the youth[2] opportunity wage, perhaps because they are the primary employers of first term wage earners:

> Small businesses furnish two out of three workers with their first jobs. Many of these first-time positions are in the service sector, the traditional doorway to the job market for the young, minority, and unskilled job seeker. Service industries now employ about 20 million workers, approximately the same number of workers in the manufacturing sector. Small firms permit many workers such as women and older people to accommodate their work schedules to their personal demands and preferences.[3]

We therefore appear before this committee to support the creation of a youth opportunity wage to ease the unemployment problem of youth.

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[2] The U.S. Bureau of Labor Statistics defines youth as those persons 16 through 24, and teenagers as those persons 16 through 19.

[3] See Bradley R. Schiller, "'Corporate Kidnap' of the Small Business Employee," Public Interest, Vol. 72, Summer 1983, pp. 72-78 and The State of Small Business, pp. xvi. See also pp. 240.

II. Impact of Minimum Wage on Small Business

The Fair Labor Standards Act of 1983 (FLSA) establishes minimum wage, overtime pay, equal pay, recordkeeping, and child labor standards affecting more than 50 million full-time and part-time workers. The FLSA provides a minimum wage floor for covered workers and for the payment of time-and-one-half of one's regular hourly rate of pay for hours worked in excess of 40 in a single week. Currently, the Federal minimum wage is $3.35 per hour. The minimum rate is set by statute and will remain at the current $3.35 level until the Congress takes specific action to alter that figure.

Minimum wage requirements of the FLSA have undesireable consequences for small business employers and workers. Small businesses suffer because they are forced to cut back on the number of people they can hire. When the minimum wage is raised, an employer must terminate those employee positions that have a productivity yield of about the same value or less value than the minimum wage. This necessary action harms the competitiveness of small firms because it reduces their productivity and the services they provide to their customers. Smaller firms, unlike larger firms, are unable to absorb the costs imposed by the minimum wage.

Workers are directly affected by the minimum wage provisions of the FSLA. In particular, workers who have a productivity yield that is not greater than the minimum wage are harmed the most. These workers, usually teenagers or minority members who have been denied the proper skills training, are the ones who are displaced by the minimum wage.

III. Youth Unemployment

Even with economic recovery and a drop in the overall unemployment rate, youth unemployment has continued to rise. Other government programs have simply not done enough. Congress has enacted the Job Training Partnership Act, the targeted tax credit program, and the emergency jobs bill. These programs have helped some people find work, but they have failed to solve the problem of youth unemployment.

The statistics on youth unemployment are shocking! Nearly one out of every three teenagers will be unable to find employment this summer. The unemployment rate for teenagers has increased over the postwar decade. Since 1948, the average annual unemployment rate for youth workers in the 16-to-19 age bracket has never fallen below 7.6 percent (1953). During recent years, the unemployment rate for this group has remained consistently high. During 1980, the overall unemployment rate for the 16-to-19 year bracket averaged 17.7 percent. For black youth in this age bracket, the rate was 38.6 percent; for Hispanic youth, 22.5 percent. According to the Conference on Black Mayors, black unemployment has reached 75 percent in some areas.

Some observers have suggested that the wage costs--principally the minimum wage--may serve as an impediment to employment of youth. They contend that were such costs to be reduced and youth workers thereby made economically employable, their positions in the labor market might improve.

Daniel S. Hamermesh, a Michigan State University economist, found that a 75 percent subminimum wage for youth unemployment would significantly reduce youth unemployment. Such a wage structure, Hamermesh contended, would create 381,000 jobs for teenagers at a cost of 41,000 jobs to adults. This is a ratio of 9.2 new jobs for teenagers at a cost of 1 job for an adult.[4]

Would such a cost be outweighed by the benefits of providing jobs for 381,000 teenagers? These 381,000 new jobs would have reduced teenage unemployment in the summer of 1980 by over 18 percent. This is a significant gain on a steadily increasing teenage unemployment rate. Teenage unemployment has its own consequences; a lower gross national product and a growing crime rate are important examples.

A youth opportunity wage would provide benefits for small business as well as for youth labor. Employers could once again employ teenagers to do jobs that are not highly productive and were eliminated because of a high minimum wage. Examples of these types of jobs are bagging groceries, cleaning windshields at service stations, helping customers at a store, etc. This would make small business, particularly retail and service firms, more appealing to customers because of the increased services they could provide. The ultimate result is that small businesses are better able to compete with large businesses and youth employment is increased.

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[4] U.S., Minimum Wage Study Commission, Report of the Minimum Wage Study Commission, Vol. 1, May, 1979, p. 47.

IV. The Summer Youth Employment Opportunity Wage

For over a decade, a youth subminimum wage has been proposed as a remedy for the youth unemployment problem. The NFIB is indeed pleased that we have been asked to testify on S. 2687, the Youth Employment Opportunity Wage Act of 1984, which was introduced by Senator Charles Percy on May 17, 1984. President Reagan and his administration fully support this bill as well as its companion, H.R. 5721, which was introduced in the House by Representative Ron Packard on May 23.

S. 2687 would amend Section 6 of the Fair Labor Standards Act of 1938 to allow employers to pay youths under the age of 20 75 percent of the otherwise applicable Federal minimum wage, or $2.50 per hour, from May 1 through September 30. The NFIB supports the bill's provisions which prohibit employers from engaging in a pattern and practice of displacing older workers in favor of younger workers eligible for the minimum wage. We are gratified that S. 2687 sets stiff penalties for employers who discharge adult workers to hire eligible youth, including a $10,000 fine and a 6-month prison term and forced payment of back wages. Further this legislation specifies that workers who are already employed within 90 days prior to May 1 could not be paid below the minimum wage.

By reducing the wage that businesses must pay teenagers, the youth employment opportunity wage reduces the cost of employing youth. No new paperwork will be required for any business hiring a youth at the subminimum wage. Also, no new regulatory apparatus would be created or required. The proposed bill relies on the workings of the free enterprise system to maximize efficiency--there are no Federal expenditures required for the implementation of S. 2687.

The NFIB requests that this committee report out S. 2687 to establish a temporary youth opportunity wage program which would create and increase youth employment opportunities and job skills but which would not displace youth or adults currently employed at or above the minimum wage, and would provide sanctions sufficient to prevent abuse.

Studies by the Department of Labor have shown that the youth employment opportunity wage could produce summer employment for as many as 400,000 people. If states with their own minimum wage laws would relax their own pay standards and provide for a $2.50 summer minimum for youth, the total number of jobs created would jump to 640,000.

A summer job for those youths means more than just spending money--it means pride, self-respect, work experience for a resume, and the chance to develop good work habits. The teenager is given a chance to contribute to the support of his family or to pay part of his education.

The Youth Employment Opportunity Wage Act of 1984 is for many youths the all-important first job and a chance to get on the job ladder to higher future wages in their adult life. A youth employed at $2.50 per hour is certainly better than an unemployed youth at no dollars an hour on the street corners. To ignore this legislative proposal is to turn our backs on the hundreds of thousands of our nation's young people and the means to employ them.

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STATEMENT OF THE
AMERICAN FARM BUREAU FEDERATION
TO THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
REGARDING S. 2687,
YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984

June 25, 1984

The American Farm Bureau Federation is the nation's largest general farm organization with a current membership of more than three million families in 48 states and Puerto Rico who are members of 2,762 County Farm Bureaus. Farm Bureau is a bi-partisan organization supported entirely by dues voluntarily paid each year by individual member families. Farm Bureau members include at least 75 percent of the commercial farming operations in the country and an even higher percentage of the 700,000 agricultural employers. Farm Bureau is thus one of the largest, if not the largest organization of employers in this country.

Hired farmworkers account for about 35 percent of the average annual employment on farms, with most farmwork still performed by farm owners and operators and members of their families. The number of hired farmworkers ranges from 2.5 to 2.8 million. That number has held steady for the last five years; but the total employment on farms has been going down due to increases in labor productivity. Thus, the percentage of total farmwork done by hired workers has been increasing and is expected to continue along that trend.

Based on 1979 data, the majority of hired farmworkers are employed on a casual (less than 25 days) or seasonal (25 to 149 days) basis. Almost three-fourths of them work less than 150 days, due in large measure to the fact that fruit and vegetable production and certain other commodities require large numbers of seasonal or temporary workers during peak periods of harvest. Many of the casual and seasonal workers are students who work only a few weeks a year.

According to the August 23, 1983, Farm Labor report of the U.S. Department of Agriculture, the average wage rate for all hired farmworkers was $4.12 per hour. For those paid on an hourly basis, the rate was $4.98, and those paid on a piece-rate basis $4.69. Approximately 42 percent of all hired farmworkers receive employment benefits other than wages. When hourly wages and benefits are taken together the effective wage costs are probably $6.50 per hour or more. The value of perquisites represents 15 percent of the total farm and ranch labor expenditures. In total, the cost of hired labor on farms represents one of the largest cost inputs in agricultural production, now approaching $12 billion annually.

Farm Bureau policy on the federal minimum wage is quite explicit:

> "We favor repeal of the federal minimum wage. We oppose further extension of the minimum wage law for agriculture and any attempt to index the minimum wage. We call upon the Congress to amend the present Fair Labor Standards Act to exempt minors from the minimum wage law or provide for a youth differential."

Accordingly, Farm Bureau favors enactment of S. 2687, although we would prefer that the bill go much further to either entirely exempt persons under 19 from the minimum wage requirement or take the federal government out of the business of setting a minimum wage. We are convinced that it is not only an unnecessary extension of the regulatory power of the central government, but is counter-productive to employers, employees and the economy as a whole. Minimum wage rates increase unemployment in rural areas and put U.S. farm products at a competitive disadvantage in the world market.

We fully understand the nature of the problem that prompts the introduction and consideration of this legislation. Not only is the country still suffering from an unemployment rate that is too high, but the unemployment rate among those under 19 and particularly among those who are black or hispanic is a national problem that needs sound economic policy attention by the Congress.

Additionally, the Congress needs to take into consideration the fact that young persons need to learn about work early in their lives. Young people are not born productive. They must be trained. Private employers contribute substantially to the productive training of rural and urban young people. We have no doubt that teenage idleness and boredom is a major factor in teenage delinquency and crime. Most young people want to work and need to work. Unnecessary regulatory barriers to such work experience should be removed.

There are two basic schools of thought as to what should be done about the problem. One school advocates greatly increased expenditures of federal and other public funds to generate make-work jobs in the public sector, or to increase federal expenditures, such as in the area of the public works that would create more jobs in the private sector. The other school, while not denying some need for increased expenditures for highways, bridges and other such public works, believes that the high unemployment rate can be reduced by reducing the regulatory restraints and economic disincentives for private employers to take the risks of hiring unskilled young people. Farm Bureau favors the latter school. With federal nondefense domestic spending out of control and threatening the continued growth of a healthy economy, it is not the time to think in terms of more spending in the public sector. Fundamentally, the public sector cannot "create" jobs. It can only shift jobs from one sector to another. Jobs can only be created by a growing noninflationary economy.

Farmers and ranchers are already employing many thousands of persons under the age of 19. They would employ many more if this bill is enacted. In many instances, farmers and ranchers are reluctant to employ teenagers because of the necessity to pay the full minimum wage for each hour worked. A large number of such teenagers are inexperienced and have not learned the basic skills involved in the harvest of crops and other jobs in agriculture. It often takes two to four weeks before such workers become proficient and productive on the job.

Unlike the jobs in most other industries, a large percentage of the seasonal workers in agriculture are paid on a piece-rate basis. While agricultural employers who hire more than 500 man days of labor during any quarter are required to pay at least the minimum wage, that is no real problem with experienced workers, since they will normally earn far more than the required minimum. If an agricultural employer is forced to pay the full minimum wage to an inexperienced worker, he will likely refrain from hiring such inexperienced workers as long as he has a choice. He will substitute machinery for labor wherever possible.

While this bill provides for a youth minimum wage of $2.50 or 75 percent of the applicable minimum wage, most of the young persons hired in agriculture would earn far more than that minimum and far more than the minimum for adults, particularly after being on the job for two to four weeks. This means that young workers who have work experience in agriculture would not have their wages reduced by the provisions of this bill.

This bill also deserves support for the careful way in which it has been drafted so as to protect against an adverse impact on adult workers. Because the employment period for the youth minimum wage is restricted to the period each year between May 1 and September 30, and because the language makes it clear that no employee's wages would be reduced due to the enactment of the bill, nor any adult be discharged to employ a lower-paid young person, the normal objections to this legislation have been rendered meaningless.

Fundamentally, Congress must recognize that when the price of any good or service is held artifically high in relation to the market we end up with a surplus. It has happened in dairy. In labor, it means high teenage unemployment and underutilization of the nation's most valuable resource -- it's youth.

We urge the members of this Committee to take action promptly to send S. 2687 to the floor of the Senate and that the full Senate act promptly to pass the bill.

Service Employees International Union, AFL-CIO, CLC
Legislative Department
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STATEMENT

OF THE

SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO

ON

S.2687 YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1984

SUBMITTED TO THE

COMMITTEE ON LABOR AND HUMAN RESOURCES

June 25, 1984

The Service Employees International Union (SEIU) representing 850,000 workers in the United States and Canada, thanks the Committee on Labor and Human Resources for the opportunity to submit this statement outlining our views on S. 2687, the Youth Employment Opportunity Wage Act of 1984. We would like to state at the outset that we strongly oppose the provisions contained in this legislation. Our major concerns are detailed below.

SEIU represents working men and women in a variety of occupations, including building service workers, healthcare workers, clerical workers, public employees and industrial workers. We are proud of our success at the bargaining table in providing decent wages and benefits to our members. Unfortunately, many working people in our society do not enjoy the benefits of union representation. They work at minimum wage jobs, with few, if any, benefits, only protected by federal or state legislation which, in many instances, we believe is grossly inadequate.

S. 2687, which would allow employers to hire teenage workers at $2.50 per hour, or 75% of the existing minimum wage (currently $3.35 per hour), has been promoted as a means of increasing youth employment. While we share the concern voiced over the unacceptedly high rates of unemployment among this group of workers, especially among black youth, we reject the notion that such a subminimum wage would have any desirable impacts. We believe further that it would seriously harm adult minimum wage workers who must look to the Fair Labor Standards Act for their income protections, while allowing employers to discriminate against and, therefore exploit, young people in our society who seek jobs.

Our involvement in establishing minimum wages began in the early twentieth century. In 1903, the U.S. Commissioner of Labor issued a report illustrating that the earnings of workers were so low that they were unable to provide the basic necessities of life for their families. In other words, the American worker was hard pressed to earn enough, given the current level of pay in most jobs, to live above the poverty level.

Although minimum wage legislation was debated for years, it was not until the Fair Labor Standards Act was enacted in 1938 and its constitutionality established in 1941 that the federal government became directly involved in wage determination. The original act provided for a wage floor as well as prohibited "oppressive child labor" in order to protect the interests of working people.

The objective of the Fair Labor Standards Act when it was passed was to protect workers from poverty by fixing an irreducible minimum below which wages could not fall so that workers could provide adequately for their children and their families. The attempt was to eliminate the exploitation of working people and to allow working Americans to maintain minimum standards of living.

The notion that the minimum wage should have any purpose other than the alleviation of poverty must be rejected. It was not established to create or destroy employment opportunities, or to benefit one group of workers at the expense of another. It was, however, established to eliminate the ability of profiteering employers to exploit working people, and force large numbers of American families into poverty. We cannot afford to lose sight of the fact that minimum wage legislation was, and should still be, a guarantee of income security for all working Americans.

In recent years, however, the federal government has abrogated its responsibility to these low wage workers. It is no secret that the poverty rate has been increasing in recent years and that in 1982 it was at the highest level since 1965, with 15% of the population classified as poor. In large part, the increases in the incidence of poverty in the United States should have come as no surprise given our disregard for low wage workers in the formulation of public policies.

It is a national disgrace that we have determined the poverty threshhold to be $10,200 for a family of four, yet a full-time worker earning the minimum wage would have annual earnings of only $6,960. No longer does the minimum wage provide an adequate level of income for workers.

Since 1981, we have not increased the minimum wage and have, therefore, allowed inflation to erode what meager income protections were previously established. In fact, since 1978, the real value of the minimum wage has fallen rapidly — in order to allow the same purchasing power as existed in 1978, the wage would have to be $4.31 per hour, or almost 30% higher than it is today. We have done the nearly 10 million workers now working at or near the minimum wage a serious disservice by abandoning our commitment to provide a decent living wage to all workers.

The current proposal for a youth subminimum wage is yet another assault on low wage earners. We believe that subminimum wages will not, as the Reagan Administration would have us believe, create jobs for unemployed youth, but that their establishment will further an erosion in the hard-won worker protections now embodied in federal law.

Aside from absolute disregard for the original purpose of the minimum wage, proponents support enactment of the youth subminimum under the guise of its job creation potential, claiming that the minimum wage is the cause of high levels of unemployment in youth. This is simply not true. Regardless of the level of the minimum wage, the jobless rate for teenagers has been consistently greater than the jobless rate for the entire labor force. And studies have shown that the most important factor explaining changes in youth unemployment is the state of the economy, as measured by the adult unemployment rate, not changes in the minimum wage. It is interesting to note that during the period 1976-79, when the economy was expanding, increases in the minimum wage were met with reductions in the level of youth unemployment.

The Minimum Wage Study Commission, which was established in a 1977 amendment to the Fair Labor Standards Act addressed the issue of a youth wage differential. In their study, they found that the evidence that a youth differential would reduce unemployment among teenagers was inconclusive. In addition, they did not find any evidence that subminimum wages would foster job creation and employment opportunities in the areas with the highest youth unemployment rates.

Additional studies support this position. A study conducted by the National Youth Employment Coalition has shown that a subminimum wage would not create a significant number of new jobs. And a survey of minimum wage literature written by Brown, Gilroy and Kohen titled "The Effect of the Minimum Wage on Employment and Unemployment" found that in most studies, the effect of a 10% increase in the minimum wage on teenage unemployment ranged from very small negative effects to small positive effects.

The effectiveness of other kinds of wage reduction programs to generate employment opportunities for teenage workers has been studied also. These efforts, as well, have been found to be severely lacking in their ability to attack the problem of youth unemployment. For example,the General Accounting Office reported that the Targeted Jobs Tax Credit which gives employers a tax credit for hiring economically disadvantaged youths spurred jobs for only 2.5% of eligible youths in 1980, 4.6% in 1981 and 3.7% in 1982.

In yet another attempt to expand employment opportunities for black youth, employers were subsidized up to 100% of the wages paid black teenage workers in a project in New York City, yet only 18% of the employers who were offered the full 100% agreed to take on these workers.

It is clear that sufficient evidence exists which leads us to reject the notion that youth unemployment can be effectively combatted by lowering the wages employers are allowed to pay.

Proponents of this legislation also argue that the youth subminimum will not affect adult employment because it will be illegal to discharge, transfer, or demote any employee who is ineligible for the subminimum wage with one who is eligible. Yet the Minimum Wage Study Commission also found that there was sufficient evidence to suggest that adult employment would be reduced by a youth differential. The possibilities of substitution were, and still are, far too great to risk potential dislocation of more of our adult workers.

Although the legislation makes such behavior "illegal", we believe that enforcement will be impossible. Our previous efforts in the CETA program, for example, to outlaw substitution and protect the rights of existing workers were far from satisfactory. Given that the Department of Labor enforcement staff has also been reduced in recent years, our potential to enforce, economy-wide, such standards is unrealistic and ultimately harmful to all working people.

We believe that all minimum wage workers will be adversely affected by the establishment of a youth subminimum wage. Over 66% of these workers are female; 31% are teenagers; 24% are minorities.In addition, data from the Minimum Wage Study Commission showed that 40% of those employed at the minimum wage were in low income households and 28% were either the head of household or the spouse. Forty-three percent of all workers in families below the poverty level held jobs at or below the minimum wage and 57% were heads of households as compared to all minimum wage workers.

The substitution of adult workers for younger workers will force low-income workers further into poverty. And the payment of an even lower wage to teenagers who are depended upon to contribute to their household income will further erode the living standards of these families. It is clear that this legislation will adversely affect the earnings of low income households who already must depend on other federal benefits to eek out even a subsistance level of income.

Finally, a youth differential represents a departure from the principle of equal pay for equal work. We have a long-established tradition — at least in statute -- of outlawing discrimination and guaranteeing equality of all Americans. A subminimum wage for one group in our society is, in our view, blatant wage discrimination. And, given the preponderence of women working at minimum wage jobs, the substitution of youth workers will have disproportionate impacts on another group in our society that already suffers from wage discrimination -- we will now add employment discrimination to the list of barriers women in the workforce must confront.

Proponents of the subminimum wage have argued that through the workings of supply and demand the minimum wage has caused unemployment among youths, especially black youths. However, the labor market is one of the most imperfect markets in operation — lack of information, discrimination, a multitude of federal, state and local laws that affect employment practices and a variety of other factors influence the ability of workers to obtain employment.

In order to attack and ultimately solve a problem, we believe that it is first necessary to define it properly. We reject the notion that the minimum wage is the cause of youth unemployment. We must look to the real causes of our seriously high unemployment rates among teenagers — and among these are discrimination, lack of education, lack of training and the skills needed to acquire and hold a job.

If we are to deal effectively with the serious problem of unemployed youth, we must recognize the causes. It is clear that effective elimination of discrimination in our society, a guarantee that quality education was available to all children, regardless of income, an expansion in, rather than a reduction of, job training programs and an additional commitment to alleviating poverty in our society would begin to address the problem. In addition to these general policies, programs which target resources on the areas of highest unemployment and the highest concentration of youth unemployment are necessary — but these must be job-creating efforts, not hidden attempts to penalize low wage earners and exploit workers.

In summary, the Service Employees International Union urges the Committee to reject any attempt to institute a youth subminimum wage and, instead, to concentrate its resources on effective, job-creation efforts.

Thank you for this opportunity to submit our views.

PRINTING INDUSTRIES OF AMERICA, INC.

1730 North Lynn Street
Arlington, VA 22209
(703) 841-8100

June 21, 1984

The Honorable Orrin G. Hatch
Chairman, Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Senator Hatch:

We are pleased that the Senate Committee on Labor and Human Resources has chosen to consider S.2687, legislation to allow employers to hire young persons between the ages of 16-19 at an hourly wage less than the current federal minimum wage. The Printing Industries of America (PIA), with more than 11,000 members and the National Association of Printers and Lithographers (NAPL), with more than 3,000 members strongly support this legislation.

In 1983, PIA surveyed its non-union companies to determine if there was support for a "youth opportunity wage." In this survey, which went to approximately 8,500 companies, we asked a series of questions. The first of these questions asked if the respondent supported the summer minimum wage -- 84% responded that they did in fact support a lower minimum wage for young people. The second question asked the respondents if there were a lower minimum wage for young people, would they hire a young person for a job at the lower minimum wage -- 75% answered that they would. The third question asked of those who answered affirmative on question two was if the person they hired would be in addition to regular hiring or if the young person hired at the lower minimum wage would be hired instead of someone at the regular minimum wage -- 84% answered that the person hired would be in addition to regular hiring. In other words, those respondents indicated that they would create a job for a young person.

We cannot be assured that the establishment of a lower minimum wage for young people for summer work would result in substantially more jobs for young people. We also cannot state with any assurance that employers would not hire these young people instead of older workers at the regular minimum wage. Likewise, we have no assurance that the opposite of these two concerns is true. We can say with some confidence that a large number of the members of our association have said that would create a job for a young person.

The Youth Opportunity Wage Bill is limited in scope and affects only those young people between the ages of 16-19. It provides for penalties for those employers who replace workers with these young people at the lower minimum wage, and the legislation provides for a sunset of three years. We ask the question that others have asked....why not give it a chance? If it works, then many will benefit, if it fails, then few will lose and the issue is resolved for all time.

We would appreciate your including this letter in the record of the hearing held on June 18.

Sincerely,

Benjamin Y. Cooper
Senior Vice President
Government Affairs

cc: Members of the Committee on Labor & Human Resources

STATEMENT OF

JAKE ALARID
NATIONAL CHAIRMAN
THE AMERICAN G I FORUM OF THE UNITED STATES

First of all, I would like to thank the distinquished Chairman, Senator Hatch, for inviting me to share my views regarding the Youth Employment Opportunity Wage Act. My name is Jake Alarid and I am the National Chairman of the American G I Fourm of the United States. For your information, the American G I Forum is a National Veterans Family Organization founded in 1948, in Corpus Chriti, Texas. The membership of our organization is composed primarily of Hispanic Americans. Structurally, we have a National Chairperson, a National Women Chairperson, and a National Youth Chairperson. Our State and local GI Froum Chapters sponsor Junior GI Forum Chapters composed of youth. The main purpose of our Junior GI Forum component is to render service to our youth by fostering and encouraging spiritual and ethical values, develop character, teach responsible citizenship and install a desire, or aspiration for higher learning.

Since its inception, the Forum has been actively involved in issues relating to the Administration of Justice, Employment, Education, and Economic Development which our members believe to be the heart and soul of democracy and all its citizenry. Our Motto is "Education Is Our Freedom and Freedom Should Be Everybody's Business."

Mr. Chairman, the social issue before you today is a most important one. Unempolyment among our youth, particularly for minorities and the disadvantaged, has been a persistent and growing problem in this country for the past decade. Youth empolyment issues are interrelated with education, family life, social psycological growth, and many other factors. While many teenagers do not have substantial employment problems, most minority youth encounter difficulties which result in long periods without work that consitute and develop into severe problems and consequences.

The U.S. Department of Labor has gathered a large body of research on the value of a meaningful work experience for youth during their developmental years. Without making specific references, many of the experts in this area agree that:

. Work during the school years significantly increases the probability of employment in the immediate post school period.

. Although unemployment in the immdeate post-school period does not generally have a long term consequence on later employment, it does affect later wages.

. Work during the school years is highly correlated with earnings and employment in the post school period.

If the above holds true, then we all should be open-minded in considering proposals which may help provide any youth wishing to work an opportunity to do so. However, of particular concern to me is the intolerably high unemployment rates of minority and disadvantage youth during their developmental years. If we think of our youth as an investment in American's future productivity, then we need to take steps to insure we protect our investment. As things stand today, in almost every aspect of their labor market experience, minority youth (especially Black and Hispanic youth) are significantly worse of than the total youth population in general.

At this point, I would like to present some social and economic statistics on the Hispanic community to show why I am so concerned with the issue before us today. The Hispanic population of the U.S. as of 1980 was 18 million according to the Census, including 14.6 million on the mainland and 3.2 million in Puerto Rico; the 1983 estimate is at least 20 million. Growth wise, Hispanics represent the fastest growing population group in the U.S. today. In addition:

. Hispanics are the youngest U.S. subgroup, with a median age of 23.2 as compared with 30.6 for non-Hispanics.

. More than one in five Hispanics (22%) are under the age of ten.

- In terms of family size, the average Hispanic family includes 2.3 children, as compared to 1.9 for non-Hispanics.
- Hispanics remain the least educated. In 1980, the median number of years completed by Hispanics 25 and over was 10.3 years, as compared to 11.9 years for Blacks and 12.5 years for whites. Only about 42% of Hispanics 25 and older had completed high school.
- According to DOL figures, the proportion of Hispanic youth enrolled in school lagged behind that of white and black youth at all ages at the high school and college levels in 1978. A disproportionate number of Hispanic youth were also not in high school - approximately 40 percent of all Hispanic youth ages 18-24, were high school dropouts in 1978.
- In general, the unemployment rate among Hispanics is usually 60% higher than among White Americans.
- Hispanic women employed full-time have the lowest incomes of any major population groups; their median income in 1982 was just $11,363, as compared with $12,376 for Blacks, and $13,847 for White women; and $15,589 for Hispanic men.
- In 1982, 12.0% of the White individuals, 35.6% of Blacks, and 29.9% of Hispanics lived below the poverty level.

I hope these selected statistics show why we should be concerned with the employment problems of Hispanic and other minority youth in our society. We also need to be concerned over the fact that billions of dollars have been spent on government programs for youth, but youth unemployment has continued to increase. In addition, it creates special problems for significant segments including minorities, young mothers, troubled youth, recent refugees, and the handicapped.

It is important to point out that, in response to the youth employment problem, Congress in 1977 enacted the Youth Employment and Demonstration Projects Act, the first comprehensive job and training legislation devoted soley to youth employment. An ambitious knowledge development effort produced hundreds of seperate research, evaluation, and demonstraton activities which resulted in thousands of written products. It is not my intention, Mr. Chairman, to try and present a comprehensive analysis of the results of all these knowledge development activities. In general, we know that all of that knowledge development shed much light on the dimensions, causes and consequences of youth employment problems. We learned that the employment problems of youth are more severe than had been assumed and that standard published statistics may not adequately measure the dimensions of youth employment and joblessness.

The causes of youth employment problems may be the result of several factors acting independently or cumulatively, these include:

. The strength of the economy as a whole,

. The proportion of youth in the population,

. Certain background characteristics of certain youth which affects their employment rates, e.g. race, sex, age, etc.,

. Some forms of preparation during high school, e.g. academic performance, work experience, etc., which affect pre and post high school employment, and

. The minimum wage.

With respect to the minimum wage, there is evidence showing that the employment of both white and non-white youth are hampered by the minimum wage, presumably because the minimum wage is higher than employers are willing to pay for some youth. This may be especially true for 16-17 year olds, and for black youth in general.

Mr. Chairman, as you proceed with consideration of the establishment of youth opportunity wage, you will hear the pros and cons and the costs and benefits resulting from the adoption of this proposal. Personnally, I applaud this Committee for having these hearings and providing us an opportunity to bring to public attention the seriousness of the youth employment problem. From my perspective, as Chairman of a national Hispanic organization, I feel we need to consider any policy option that would help alleviate youth unemployment, especially since this problem is so severe among Hispanic and other minority youth; and especially since it is a problem that can affect the development and future growth of this segment of our society.

However, I do feel there have been and still are some justifiable concerns with the proposed legislation. The task before you is to synthesize the information provided during these hearings and formulate a bill designed to give this proposal a chance to prove itself without adversely affecting certain segments of the labor market. If this can be done, than I feel the proposal deserves an opportuntiy to prove itself.

The proposal before you today, as you are aware, is controversal in nature. I should note that our own membership has divergent concerns and reservations regarding the concept in general and certain provisions in particular. Fortunately, many of these concerns have already been incorporated in the Senate Bill (S. 2687) before us. However, I feel they are worth mentioning again. In this regard, I would like to take this opportunity to place these concerns in the form of recommendations.

RECOMMENDATIONS

First of all, I wish to start by saying that the American GI Forum is not oppossed to the minimum wage. We feel every worker in America should earn the minimum wage and above. However, I feel youth should not be denied an opportunity to obtain meaningful work experience in the private sector because of cost considerations by a potential employer. The school-to-work transition period is a vital and important aspect of the youth experience and meaningfu work experiences while in school can help ease this transition.

Therefore, I urge favorable consideration of a youth opportunity wage with the inclusion of the following recommendations. It is recommended that:

- Provisions be included to insure adult and already employed youth workers are not displaced by eligible youth participants by employer who chose to abuse the intent of the Act.
- Adequate enforcement authorization and appropriations be provided in order to adequately monitor and insure compliance with the Act.
- Strong sanctions must be included to deter unscruplous employers who would otherwise seek to use eligible youth as a cheap substitute for already employed adult and youth workers during the summer months.
- A definite termination date be set for the Act. This will allow Congress and public an opportunity to review the legislation in order to determine its worthiness for continuation.
- After a reasonable period of time, a comprehensive evaluation of the legislation should be conducted in order to determine its impact on various segemnts of the labor force. Of particular concern would be to determine if the youth opportunity wage actually resulted in the creation of new jobs during the summer months and the impact it has on the minority and adult labor force.
- The experimental youth wage should be limited to be in effect only during the summer months of May through September. This is the period when most youth are seeking work.
- The eligibility age for beneficiaries of the program should be limited to youth between the ages of 16 and no older than 19 years. This is the segment of the youth population in need of the benefits of an early work experience.
- The youth opportunity wage should not be viewed as a subsitute for existing or future government funded employment and training programs. We must insure that the most effective youth programs are continued and new innovative approaches are also given a fair hearing.

Mr. Chairman, I am sure you agree that to many of our youth suffer employment and employablity development problems for us to sit idly by and not consider viable solutions to the problem. As I noted earlier, my special concern is for the economically disadvantaged and minority youth. To many of these youth have never held an unsubsidized job. In general, they lack the network and job search skills by which to ease the transition into the world of work in the private sector. Joblessness among our youth in American is a problem that carries such consequences as increased youth crime rates, violence in schools, increased number of births to unwed mothers, and increased suicide rates. This is to high a price for our youth and our society to pay. This is why I again commend this Committee for bring this issue to public attention and for considering the proposed youth opportunity wage as a vehicle to help alleviate the problem.

In conclusion, I wish to again thank you for inviting me to share my views and present my recommendations for the Youth Employment Opportunity Wage Act. With the incorporation of the recommendations I have made, it is a policy option worthy of your serious and favorable consideration.

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NAM
National Association
of Manufacturers

FRANCIS M. LUNNIE, JR.
Assistant Vice President
Industrial Relations and
Director, Labor Relations

June 22, 1984

The Honorable Orrin Hatch
Chairman
Senate Committee on Labor
 and Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The National Association of Manufacturers appreciates the opportunity to participate in the Senate Labor and Human Resources Committee hearings on S. 2687, the proposed Youth Employment Opportunity Wage Act, and would like to submit the following statement for the record.

The NAM is a voluntary business association of over 13,500 corporations, large and small, located in every state. Members range in size from the very large to over 9,000 small manufacturing firms, each with an employee base of less than 500. NAM member companies employ 85% of all workers in manufacturing and produce over 80% of the nation's manufactured goods. NAM is affiliated with an additional 158,000 businesses through its Association Council and the National Industrial Council.

S. 2687, introduced by Senator Charles Percy on May 17, 1984, would amend Section 6 of the Fair Labor Standards Act of 1938 to allow employers to pay young people under the age of 20 at 75% of the Federal minimum wage, or at $2.50 per hour, from May 1 through September 30 of each year up to and including 1987. This measure, and its House companion H.R. 5721, introduced by Representative Ron Packard, are fully supported by the President, Secretary of Labor, the National Conference of Black Mayors, National Conference of Republican Mayors, and many business organizations throughout the country.

The Youth Employment Opportunity Wage Act represents a positive step toward resolving the persistent problem of youth unemployment and preparing young people to enter the job market. The NAM believes our youth deserve the opportunities provided in this legislation, even if only on an experimental basis to judge its effectiveness. It is truly unfortunate that some have labeled this a "sub-minimum"

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wage in attempting to block its passage, when in fact it is most definitely a "youth opportunity" wage, and should be given a chance to work.

This program is experimental, effective only during the summer months, contains appropriate safeguards to meet the criticisms of previous proposals, requires a report to the Congress, is not likely to displace adult workers, and will cost the government nothing. It is gaining wide support in Congress and has been endorsed for the first time by the National Conference of Black Mayors, which is fully aware of the dismal job prospects our minority youth face.

The minimum wage has prevented many young people from gaining a foothold on the first rung of the economic ladder. They have been hindered in their efforts to obtain the most important work of their lives - work that provides basic job skills training. The minimum wage ties the hands of the employer in hiring the young, unskilled worker. On the other hand, we believe that a lower entry wage will encourage employers to hire teenagers, give them on-the-job training and experience, and provide them with their start in the working world. Youth unemployment will only rise to even greater proportions if we continue to set up a system where young people cannot get jobs without experience and they cannot get experience without jobs. With youth unemployment at 19%, and almost 50% for minorities, it is clear that we must try to find a solution to this national problem.

In the youth opportunity wage proposal we have an opportunity to produce summer employment for as many as 500,000 young people with a program which will not increase the Federal budget deficit. While we fully recognize the valuable training opportunities for our Nation's youth which is being provided in government programs such as the Job Training Partnership Act (JTPA) and fully support that program, the Department of Labor will spend about $725 million under the JTPA summer youth employment program in FY 1984 to subsidize about 718,000 temporary public sector jobs for youth; the youth opportunity wage proposal, in contrast, will cost nothing.

By creating this experimental youth wage for the summer months only until September 1987, we are giving the greatest number of youth a chance to enter the labor market. The program is experimental and will be evaluated by the Secretary of Labor, who will gather data on its effectiveness and report to Congress thereon. We believe that if the program is given a chance to work, many opponents will be surprised at the number of jobs that might result.

A survey taken by the U.S. Chamber of Commerce at the end of 1982 revealed that 53% of those interviewed support a reduction in the minimum wage for teenage employees during the summer months as one means of reducing unemployment. As the unemployment rate worsens, the support for a youth wage should only increase. In fact the Printing Industries Association conducted a survey last fall of over 7,500 of their union-free companies. The survey showed that 84% supported lower wages for youth; 75% indicated they would hire young people if the wage was enacted; and 84% of those who would hire summer youth, would also hire additional young workers. With a lower wage, employers can hire teenagers to do jobs that are not highly skilled which were eliminated because of the high minimum wage.

One of the major criticisms of the youth wage proposal is that employers could substitute youth for adult workers. With the proposal being limited to summertime employment it appears unlikely that an employer would discharge a skilled worker to hire an unskilled youth from May 1 to September 30 in the summer. When the key to economic survival of a company is productivity it would make no sense to discharge a skilled employer and hire a summer youth with little or no experience. Moreover, proper safeguards have been included in the legislation to prohibit employers from substituting youth for current employees. Employers who discharge, transfer or demote workers for the purpose of employing eligible youth are subject to various legal remedies and sanctions, including a $10,000 fine, six months in prison, and payment of back wages. The penalty provisions of this Act should dispel the notion that the youth wage will displace older adult workers, women and minorities.

Labor Secretary Donovan has called unemployment the Nation's "number one human and economic concern". The Youth Employment Opportunity Wage will not solve all of the problems of the Nation's unemployed youth, but it is one positive step we can take that has not been tried before. It is our belief that America's youth deserve an opportunity to get that first entry level job, learn a skill, earn a wage and experience the pride which comes from being a member of the work force. It is vital to America that we open our doors to job opportunities for all and certainly our youth deserve a high priority.

Thank you for allowing us to comment on the necessity of enacting this legislation.

Sincerely,

FM Lunnie Jr

Francis M. Lunnie, Jr.
Assistant Vice President
Industrial Relations and
Director, Labor Relations

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

ALBERT D. BOURLAND
VICE PRESIDENT
CONGRESSIONAL AND POLITICAL AFFAIRS

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
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June 22, 1984

The Honorable Orrin G. Hatch
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Chamber of Commerce of the United States, on behalf of its nearly 200,000 business members, supports S. 2687, the Youth Employment Opportunity Wage Act of 1984.

The purpose of S. 2687, and its House companion bill, H.R. 5721, is to create significant numbers of new entry-level jobs for our unemployed teenagers during the summer months. As many as 400,000 jobs would be created by this legislation, a major step toward alleviating our teenage unemployment problem.

This legislation would permit employers to pay wages equal to 75 percent of the minimum wage to newly-hired teenagers 19 years of age and younger to work between May 1 and September 30. It prohibits the discharge, transfer, or demotion of any current employee — adult or teenage. The legislation also provides for a September 1987 sunset, with a requirement for an evaluation report to Congress.

While the United States still faces a severe unemployment problem in general, our 19.6 percent teenage unemployment rate is three times the adult rate. The unemployment rate for black teenagers of 44.1 percent is at crisis proportions. In some cities, such as Detroit, minority youth unemployment exceeds 60 percent.

The need to provide job opportunities for youth is a critical problem which Congress has not addressed adequately to date. S. 2687 proposes a constructive solution which at least should be tried for the three-year trial period provided for in the bill.

Entry-level job opportunities for youths: (1) provide job skills and training; (2) provide a stepping-stone to advancement; (3) promote maturity, self-reliance, and good work habits; (4) instill self-dignity and pride; and (5) lessen the need for public assistance.

(over)

Most importantly, these jobs provide the experience necessary to future productivity and career development. In fact, the National Bureau of Economic Research estimates that work experience for youths has a direct positive correlation to future wage-earning: teenage employment normally results in a 10-20 percent permanent increase in wages.

Currently, an employer has few incentives to hire a young person who may lack workplace skills, professional maturity, and experience.

A youth differential would establish an incentive for using young people in the work force. The advantage would be a savings of 85 cents an hour for each new youth hired. This wage savings per employee per summer (20 weeks) would add up to $680. For a small business, the savings may be significant enough to promote the hiring of an additional teenager or two.

Opponents claim the youth differential would cause adult job displacement. This argument fails to acknowledge that the adult worker is distinctive in assets and capabilities from the youth worker and that the average employer looks for different qualities from the adult worker (more reasoning, more dependability) than from the youth (more physical strength and endurance). For the most part, they do not compete for the same job.

Furthermore, the youth differential as proposed pertains only to new hires and would be in effect only from May through September.

More importantly, S. 2687 contains strong sanctions against employers who substitute for existing workers under the youth differential program. Employers who discharge, transfer, or demote workers for the purpose of employing eligible youth are subject to various legal remedies and sanctions, including fines up to $10,000, prison terms up to 6 months, and payment of back wages.

The youth differential benefits employers, employees, consumers and young people. Employers, particularly small businesses in the service and retail industries, could hire additional workers and offer more services. The full-time, year-round employee, who now often carries a heavier work load and more responsibilities as a result of reduced staffs, would benefit from additional help. Consumers might be afforded better service in cleaner and safer marketplaces. Most importantly, more young people would be given the opportunity to work, would be told "yes" instead of "no" when they put in their job applications, and would learn job skills and disciplines

The root of the problem is, of course, the minimum wage itself. Employers, particularly small businesses in the service industries, have been forced by higher labor costs to streamline operations, decrease services, cut operating hours, curtail expansion and in some cases, close down.

For these reasons, I respectfully urge the adoption of S. 2687, the Youth Employment Opportunity Wage Act of 1984. Please include this letter as part of the hearings record.

Sincerely,

Albert D. Bourland

cc: Members of the Committee on
  Labor and Human Resources
 Ron Docksai, Staff Director
 Kitty Higgins, Minority Staff Director

STATEMENT OF DR. BERNARD E. ANDERSON
DIRECTOR, SOCIAL SCIENCES, THE ROCKEFELLER FOUNDATION

In recent months, increasing attention has been directed to a proposal to adopt a subminimum wage on a device for reducing teenage enumployment. Even the National Conference of Black Mayors have endorsed the idea. The available evidence, however, or help solve the minority youth unemployment problem, one of the nation's most difficult domestic problems. A subminimum wage is bad economic policy and abominable social policy.

Many economists argue that minimum wage legislation greatly reduces youth opportunities, and is especially harmful to minority group teenagers. A cursory examination of the statistics shows an upward drift in youth unemployment during the past several decades as the federal minimum wage rose to the current level of $3.35 an hour. But to attribute the increase in youth unemployment entirely to the increase in the minimum wage would be the same as suggesting that the Georgetown University NCAA basketball championship was generated by the messianic enthusiasm of Hoya fans. Obviously, other factors were also involved.

The rise in teenage unemployment has also been influenced by the dramatic increase in the size of the youth and female labor forces, competition from the increasing number of immigrant workers, the declining number of semi-skilled jobs in urban areas, and the changing technology of production. Rising teenage unemployment is also related to the upward drift of unemployment for the labor force as a whole, which averaged 4.8 percent during the 1960s, 6.2 percent during the 1970s, and 8.1 percent since 1980.

The empirical evidence simply does not support an unequivocal statement that higher minimum wages are responsible for the serious unemployment problem among youth, and especially minority group teenagers. A careful and objective search of the evidence suggests only that the impact of minimum wages on employment is subject to question, and the relationship between increases in minimum wages and unemployment among teenagers is uncertain and imprecise.

The Congressionally mandated Minimum Wage Study Commission conducted several careful studies of the effects of minimum wages on youth employment, and in its final report concluded that a subminimum wage would not reduce teenage unemployment significantly and would do little to increase employment among economically disadvantaged, minority group teenagers. The experience under the Youth Incentive Employment Entitlement program supported by the U.S. Department of Labor during 1978 through 1980 also casts doubts on the potential for a subminimum wage to generate more private sector jobs for disadvantaged youth.

Under the entitlement program, employers were reimbursed for all wage and benefit costs for hiring economically disadvantaged teenagers who agreed to remain in or return to school. The private sector hired less than a third of the 72,000 youths employed in the 17 communities in which the program operated. If private employers are reluctant to hire youth at no cost, it is difficult to believe substantially more jobs will be available simply by reducing the minimum wage.

In fact, a demonstration project designed to test the effect of different subminimum wages under the entitlement program in Baltimore and Detroit showed that only one in ten firms eligible to employ teenagers at 25 percent of the minimum wage, and only one in twenty eligible to hire them at 50 percent of the minimum actually hired low income youth. Only about 18 percent of the firms eligible for a 100 percent wage subsidy hired a low-income teenager.

Many suggest that youth should be employed at sub-minimum wages in order to obtain the training and experience necessary to increase their productivity. But, in fact, little or no useful training or experience can be obtained in the marginal, dead-end jobs likely to be filled by teenagers hired at the subminimum wage level. Many such jobs at the minimum wage now go begging because of their poor working conditions, and lack of opportunity for training and advancement.

If teenagers are to have upward mobility, they need good work habits that are likely to be acquired through training and work experience. The new Jobs Training Partnership Act holds promise for providing the kind of training and work experience youth need to get a foothold in the American economy. Initiatives such as the Boston Compact, the New York Partnership Summer Employment Program, and the Philadelphia Urban Coalition Summer Employment Program demonstrate that important gains can be made to get youth into private sector jobs under current employment and training policies.

The national policy objective should be to elevate low skilled youth to a point where they can earn a decent wage, not diminish our wage standards on the erroneous claim that to do so will lower the teenage unemployment rate.

Bernard E. Anderson, Ph.D.
May 1984

JUL 1 9 1984

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Executive Director

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July 10, 1984

The Honorable Orrin Hatch
United States Senate
Russell Senate Building 135
Washington, D.C. 20510

Re: S. 2687

Dear Senator Hatch:

The National Club Association strongly supports passage of S. 2687, The Youth Employment Opportunity Wage Act of 1984.

The National Club Association (NCA) is the national trade association representing the legal, legislative, tax, and business concerns of 1,000 of America's private social, recreational, and athletic clubs. These clubs have over 900,000 individual members and over 50,000 employees.

Private clubs typically have many jobs which could be readily performed by teenagers, such as caddying, simple maintenance such as painting and groundskeeping, lockerroom upkeep, and clearing tables in the dining room. Many of these clubs, especially golf clubs, already make vigorous efforts to introduce youth to their sports and other programs, and to the prospect of club employment as careers. In addition, in much of the country, clubs are essentially seasonal operations with the greatest employment needs during the summer months.

For these reasons, we believe clubs would make great use of the opportunity to hire more teenage employees that would be provided by this legislation. We estimate that our 1000 member clubs would hire on the average an additional 3-5 teenage employees per club. A similar projection could be made for another 1000 private clubs, as well as for the thousands of other organizations such as fraternal and sororal groups which have their own facilities.

Most importantly, we are convinced that this vital legislation will aid clubs and other employers throughout the country in introducing a new generation of youth to the work experience.

We believe this is truly an idea whose time has come and we join in support of S. 2687.

Sincerely,

Gerard F. Hurley
Executive Director

GFH/ki

Ms. IVERSON. The committee will recess.

[Whereupon, at 5:55 p.m., the committee was adjourned.]

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